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

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

ANNUAL REPORT 2017

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

CONTENT

COMPANY PROFILE

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

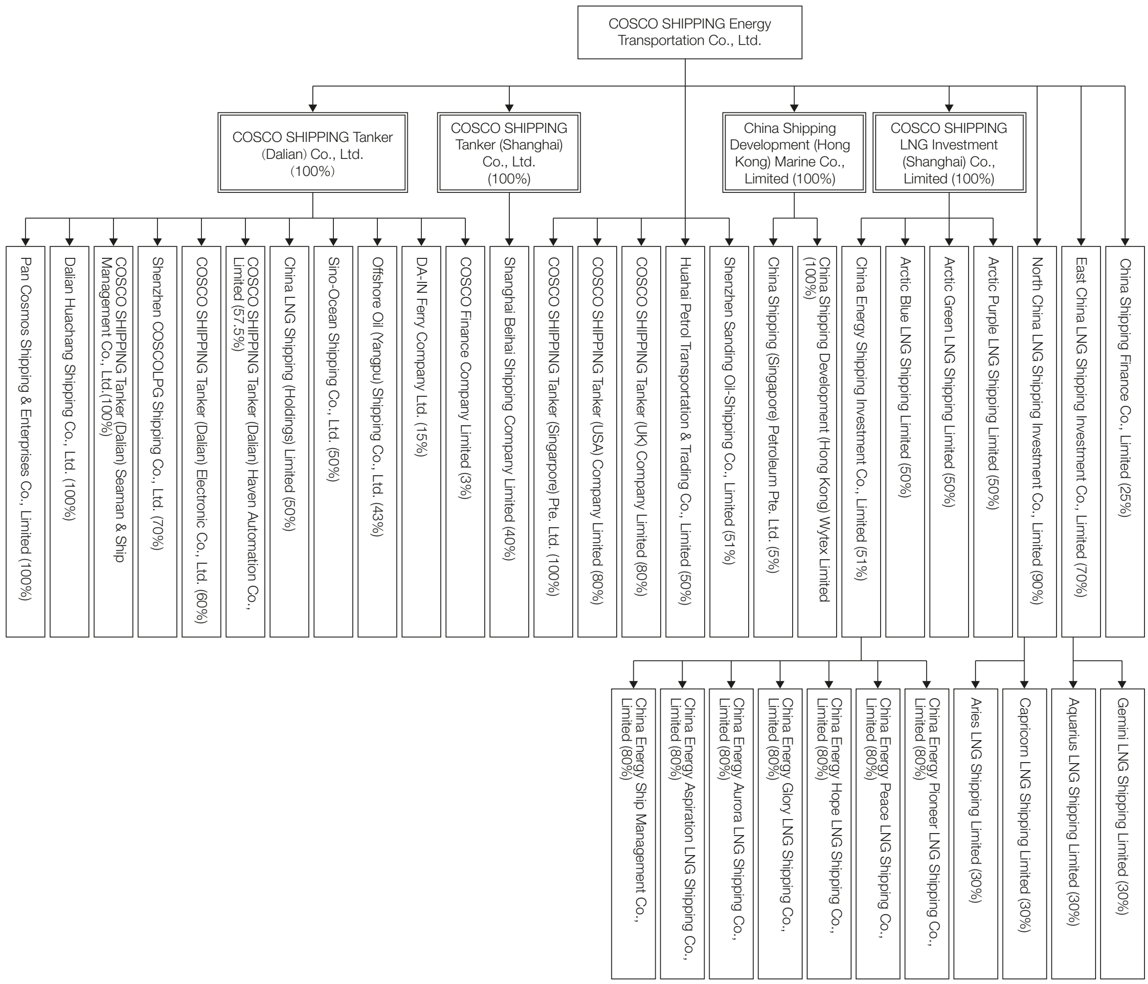
As at 31 December 2017, COSCO SHIPPING Energy owned 116 oil tankers with a total shipping capacity of 17.15 million deadweight tonnes ("DWT") and ranked first globally with an average capacity of 147,800 DWT and an average age of 7.7 years. The Company also held an order of 24 oil tankers with a total shipping capacity of 4.6 million DWT.

As at 31 December 2017, the Company (together with its joint ventures and associates) operates 16 liquified natural gas ("LNG") vessels and held an order of 22 LNG vessels.

COSCO SHIPPING Energy has maintained good cooperative relationship with more than 440 customers globally and the routes span across the world. The Company insists on the concept of "Intrinsically Safe and Safe Development", actively taking in the safety concept of DuPont and fully implementing the TMSA system. Its domestic leading staff training center is equipped with advanced facilities and is well-known in the industry. The five-in-one management system involving safety, quality, environment, energy and occupational health has been established. The subordinate units of the Company have been awarded the honorary title such as the "National Company with safety and integrity", Gold Award of the "Best Shipping Company in the Freight Industry of China", the "Tanker Operator Award" of the International Maritime Organization in China and the "National Civilised Unit".

COSCO SHIPPING Energy is committed to being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients. It will rely on the initiative of "One Belt One Road" with the objective of global operation strategy to serve large-scale petrochemical enterprises and strategic partners, thus provide the customers with quality services of all ship types, globalisation and around the clock.

As at 31 December 2017, the composition of the Group were as follows:



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2016	2015	2014	2013
		(Restated)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from continuing operations	**9,504,935**	9,808,889	10,709,298	12,273,849	11,344,152
Profit/(loss) before tax from continuing operations	**2,055,012**	1,533,373	3,022,077	321,993	(2,229,350)
Profit/(loss) for the year from continuing operations	**1,893,368**	1,210,326	2,784,955	401,827	(2,217,447)
Profit/(loss) from discontinued operation, net of tax	**–**	760,501	(1,527,222)	–	–
Profit/(loss) for the year	**1,893,368**	1,970,827	1,257,733	401,827	(2,217,447)
Profit/(loss) for the year attributable to owners of the Company	**1,774,647**	1,932,524	1,180,921	309,413	(2,234,106)
		(Restated)			
	RMB	RMB	RMB	RMB	RMB
Earnings/(loss) per share	**0.4401**	0.4793	0.2970	0.0909	(0.6562)
Dividend per share	**0.05**	0.19	0.10	0.03	–

	At 31 December				
	2017	2016	2015	2014	2013
		(Restated)	(Restated)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**60,384,731**	58,309,476	85,925,448	80,947,134	58,842,479
Total liabilities and non-controlling interests	**32,465,091**	30,896,387	54,218,230	55,239,800	37,615,108
Equity attributable to owners of the Company	**27,919,640**	27,413,089	31,707,218	25,707,334	21,227,371
		(Restated)	(Restated)		
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.924**	6.799	7.864	7.384	6.235

1. ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE YEAR ENDED 31 DECEMBER 2017 (THE "REPORTING PERIOD" OR THE "YEAR UNDER REVIEW")

(1) International oil shipping market

In 2017, according to CLARKSONS, the global demand for and supply of transportation capacity with crude oil tankers increased by approximately 5.0% and 5.7% respectively, as compared with the previous year, of which, the demand for and supply of very large crude carrier ("VLCC") transportation capacity increased by approximately 4.8% and 6.3% respectively, as compared with the previous year; the global demand for and supply of transportation capacity with refined oil tankers increased by approximately 3.3% and 4.1% respectively, as compared with the previous year. While the demand for transportation capacity has been growing steadily, the freight rates continued to fall as the supply outgrew the demand in the market due to the heavily-scheduled delivery of new vessel orders and the year-on-year reduction in VLCC floating storage capacity during the year, etc. The annual average shipping freight rate for the VLCC Middle East-Far East (TD3) route is WS58.36, representing a decrease of 23.22% as compared with the same calibre of the previous year. The shipping freight rates for the other types of vessels decreased by approximately 7%-37% as compared with the same calibre of the previous year.

In 2017, the international crude fuel price was high, with the annual average price for Brent crude oil being USD54.7/barrel, representing a year-on-year increase of 21.02%, with once topped USD67/barrel in the fourth quarter. International fuel prices rose accordingly, and the average price of IFO380 in Singapore for the year was USD327/tonne, representing a year-on-year increase of 40.95%, which added to the cost pressure on ship-owners.

Affected by such unfavourable factors of falling freight rates and rising fuel prices, in 2017, the daily revenues (Time Charter Equivalent) of the major vessel types in the international oil shipping market fell sharply as compared with the previous year, and the average daily revenue of the VLCC Middle East-Far East (TD3) route was USD22,682/day, representing a year-on-year decrease of 45.7%, and that of the typical routes of other types of vessels decreased by 18%-112% as compared with the previous year.

(2) Domestic oil shipping market

In 2017, the total demand in the domestic crude oil shipping market remained stable with a slight increase. Affected by the decrease in the freight rates in the international oil shipping market, a small number of vessels with both domestic and international operating qualifications broke into the market, resulting in a slight increase in capacity supply. However, the balance between the supply and demand in the overall capacity market has not yet been broken, with the freight rates and competition landscape both remaining stable.

In 2017, the supply and demand pattern in the domestic coastal refined oil shipping market was generally stable, with rather fragmented capacity with small vessels, except for a few industry leaders. On 28 November 2017, the Shanghai Shipping Exchange separated China Coastal Tanker Freight Index (CCTFI) from China Bulk Freight Index (CBFI) for an official trial run, which is expected to play an active role in guiding the participants into orderly competition in this market.

(3) LNG transportation market

According to the latest "LNG Outlook" Report released by Shell, the global LNG demand increased by 29 million tonnes to 293 million tonnes in 2017, hitting a record high, and representing a year-on-year growth rate of approximately 11%. In 2017, China's LNG imports continued to grow at a high rate. According to The General Administration of Customs of the People's Republic of China (the "PRC"), China's LNG imports totaled 38.13 million tonnes in 2017, representing a year-on-year increase of 45.80%, surpassing Korea for the first time to be the second largest LNG importer in the world.

Due to the characteristics of the LNG industrial chain, the LNG shipping industry mainly operates in a vessel-bound-for-project business model. Approximately 79% of the vessels of the existing LNG fleets are now serving specific LNG projects and have entered into long-term chartering contracts with project owners, with the rest operating in the LNG spot market. In 2017, the freight rates in the LNG spot shipping market picked up.

2. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

In 2017, facing the unfavourable situation in the international shipping market, the Group, under the leadership of the board ("Board") of directors ("Director(s)") of the Company, made good use of its unique advantage of a solid business structure and the linkage between domestic and foreign trade, and realized an expansion of its business scale and stability in operating efficiency.

In 2017, the volume of cargo shipped in respect of the continuing operations of the Group increased by 13.53% year-on-year to 120 million tonnes, and the transport turnover increased by 16.25% year-on-year to 406.827 billion tonne-nautical miles. Revenue derived from the continuing operations decreased by 3.10% year-on-year to RMB9.505 billion. Excluded from the impact of provision for onerous contracts, the operating costs increased by 11.83% year-on-year to RMB7.442 billion, and the gross profit from the continuing operations of the Group for the year was RMB2.063 billion, representing a year-on-year decrease of 34.60%. The profit attributable to owners of the Company generated from the Group for the year was RMB1.775 billion, representing a year-on-year decrease of 8.17%.

In 2017, the Group's LNG shipping business segment made a breakthrough, contributing to a profit before tax of RMB236 million, representing a year-on-year increase of 81.4%.

(1) Revenue from Principal Operations

In 2017, overall details of the Group's principal operations by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Product Description	Revenue (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to 2016 (%)	Increase/ (decrease) in operating costs as compared to 2016 (%)	Gross profit margin as compared to 2016
Continuing operations						
Oil shipment	8,744,228	7,087,778	18.94	(9.74)	7.75	13.16 percentage points lower
LNG shipment	619,896	256,315	58.65	1,607.04	1,431.70	4.73 percentage points increase
LPG shipment	92,508	59,684	35.48	40.92	29.35	5.77 percentage points increase
Others	48,303	38,400	20.50	148.92	166.39	5.21 percentage points lower
Total	9,504,935	7,442,177	21.70	(3.10)	11.83	10.45 percentage points lower

Note: The operating costs and gross profit margin in the above table have been excluded from the impact of provision for onerous contracts.

Principal Operations by Geographical Regions

Regions	Revenue	Increase/ (decrease) in revenue as compared to 2016
	(RMB'000)	(%)
Continuing operations	9,504,935	(3.10)
International shipment	6,615,145	(6.37)
Domestic shipment	2,889,790	5.33

(2) Shipping business — Oil shipment

International oil shipment business:

In 2017, the Group completed an international oil shipping volume of approximately 385.318 billion tonne-nautical miles, representing a year-on-year increase of approximately 16.21%; a transportation income of approximately RMB5.868 billion, representing a year-on-year decrease of 15.80%, which was mainly due to the decrease in the freight rates level of the vessels in the international oil shipping market by 7%-37%. In the face of unfavourable market conditions, the Group adhered to its prudent philosophy of stable operation and adopted a diversified business model that combines self-operation, contract of affreightment ("COA"), time chartering, pooling and a unified planning on the East-West shipping capacity deployment and carefully-designed connection of long and short routes, for which it outperformed the competition in a downturn. The performance of its VLCC fleet for the same period was higher than the market by 47%.

1) Adhering to a strategy of targeting major customers while innovating cooperation methods, aiming to expand market share. During the year, the Group entered into a basket of agreements with Sinochem Oil for the lease of five VLCCs and COAs on time charters, representing the establishment of a win-win cooperation mechanism during the market downturn while expanding its capacity and market share.

2) Closely following the progress of the "One Belt and One Road" Initiative to customize the best logistics solutions for the major customers. The Group signed a contract with China National Petroleum Corporation ("CNPC") for the shipment of China-Burma crude oil pipelines, a key project under the "One Belt and One Road" Initiative, which is also the first COA contract signed by CNPC for offshore oil import, which successfully opened up the Persian Gulf-Maad Island international crude oil transportation route, providing CNPC with a "quasi-liner" service for the transportation of 3.3 million tonnes of crude oil each year, ensuring the smooth operation of the new channel for China's oil import.

3) Increasing customer development efforts and building a global supply network. The Group's VLCC fleet carried out business cooperation with 26 customers throughout the year, representing an increase of 7 customers over the same period of last year. The cooperation with customers in Europe, America, Japan, Korea, and Taiwan has exceeded that of previous years. The Group made good use of the two new overseas locations in Houston and London to provide considerate personal services to major oil companies at home and abroad, while the development of new overseas customers and new projects abroad has produced preliminary results.

4) Seizing market opportunities and expanding fleets at low cost. The Group seized the window period when the cost of new vessels was at historical lows and entered into a new contract for construction of 16 tankers, totaling 3.0576 million dwt. While consolidating the Group's leading edge as the world's number one in oil tanker transportation capacity, the Group further optimized its fleet age structure, reduced fleet maintenance costs, and enhanced future profitability.

Domestic oil shipping business:

In 2017, the Group completed a domestic oil shipping volume of approximately 21.406 billion tonne-nautical miles, representing a year-on-year increase of 16.78%; a transportation income of RMB2.877 billion, representing a year-on-year increase of 5.81%. The Group's market share in domestic oil shipment market remained at around 56%. Facing the decrease in freight rates in the foreign oil shipping market, the Group made good use of its unique advantage of the linkage between domestic and foreign trade, specifically increased its efforts in capacity investment and customer development in the domestic market, realizing a year-on-year increase in the volume of domestic oil transportation business. The year-on-year decrease in the gross profit margin of domestic oil transportation business was mainly due to the year-on-year increase in fuel prices.

1) Closely following the market trend, focusing on the development of new customers and incremental sources of supply. The Company seized the opportunity of its key strategic customers changing their logistics plans and secured a 2.17 million tonnes of incremental supply from the change of ground transportation to water transportation, and realized an additional revenue of approximately RMB80.90 million, while securing a number of new local refineries, resulting in an additional transportation income of approximately RMB60 million from the new domestic transhipment customers only.

2) Adhering to the Group's strategy of targeting major customers and maintaining a high proportion of domestic COA sources. The Group enforced the implementation of the client manager system to provide one-on-one personal service to its customers. In the domestic refined oil sector, the Group entered into new COA contracts with three major customers. The shipping volume from domestic COA sources accounted for over 90% of the Group's shipping volume from domestic oil business.

3) Innovating the business models of the Group to improve customer service and vessel operating efficiency. The Group continued to implement and optimize the "liner transportation" model for fixed vessels and fixed routes, adding two new liner routes for domestic oil transportation during the year. The Group promoted the "Weizhou Service Model", and launched the military transportation service model, Huizhou service model, and Huanghua service model to improve customer service quality and improve vessel operating efficiency.

4) Joining hands with powerful cargo owners to secure segment market dominance. The Group furthered its strategic cooperation with PetroChina Company Limited ("PetroChina") for the full integration of its refined oil business resources. By acquiring PetroChina's refined oil fleet by capital increase and shareholding, the Group's refined oil fleet has emerged as a leader in the domestic refined oil transportation sector and has mastered the dominance of market segments. The agreements in relation to the acquisition were executed on 6 March 2018.

In summary, in 2017, the Group completed a total oil transportation volume of approximately 406.724 billion tonne-nautical miles, representing a year-on-year increase of approximately 16.24%, and the revenue from oil transportation amounted to approximately RMB8.744 billion, representing a year-on-year decrease of 9.74%. An analysis of the transportation volume and revenue by product types is as follows:

Transportation volume by product types

	2017 (billion tonne-nautical miles)	2016 (billion tonne-nautical miles)	**Increase/ (decrease) (%)**
International	**385.318**	331.565	16.21
Crude oil	**363.527**	311.223	16.81
Refined oil	**21.791**	20.342	7.12
Domestic	**21.406**	18.330	16.78
Crude oil	**17.415**	15.724	10.75
Refined oil	**3.991**	2.606	53.15
Total	**406.724**	349.895	16.24

Revenue by shipment types

	2017 (RMB billion)	2016 (RMB billion)	Increase/ (decrease) (%)
International	**5.867**	6.969	(15.80)
Crude oil	**3.960**	4.233	(6.44)
Refined oil	**0.529**	0.585	(9.47)
Vessel charting	**1.378**	2.151	(35.95)
Domestic	**2.877**	2.719	5.81
Crude oil	**2.441**	2.342	4.28
Refined oil	**0.327**	0.264	23.63
Vessel chartering	**0.109**	0.113	(4.00)
Total	**8.744**	9.688	(9.74)

Development of LNG Transportation Business

The Group is a leader in China's LNG shipping business and an important player in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("CLNG"), in which the Group hold 50% of its equity, are currently the only two large-scale LNG shipping companies in China.

In 2017, the Group seized the strategic opportunities of the world and China advancing the green energy revolution and achieved new breakthroughs in the development of LNG shipping business. Leveraging on the long-term strategic partnership with PetroChina and Mitsui O.S.K. Lines, Ltd. ("MOL") and the Group's early-stage participation in the shipbuilding investment in the Yamal Project, the Group succeeded in securing a chance to acquire the 50% equity in the four conventional LNG vessels totalling 174,000 cubic meters in the Yamal project, further expanding the business scale and profit of the LNG shipping business. So far, among the 19 LNG vessels built for the first phase of the Yamal Project in Russia, the Group has invested and participated in the building of 18 vessels, of which 14 are Arc7-grade polar ice-breaking LNG carriers, representing a major industry breakthrough in the opening of the Arctic LNG shipping routes.

After careful cultivation in the early stage, the Group's LNG shipping business is heading into the harvest period with accelerating paces. In 2017, the profit before tax from the LNG segment for the year amounted to RMB236 million, representing a year-on-year increase of 81%. As at the end of 2017, the Group had a total of 16 jointly-invested LNG vessels in operation, representing an increase of five vessels as compared to the end of the previous year; with 22 jointly-invested LNG vessels which the Group has signed a contract to build are still under construction or waiting in line, and all of which will be launched and start operation before the end of 2020.

3. COSTS AND EXPENSES ANALYSIS

In 2017, in the context of rising fuel price and continuous expansion of fleet capacity, the Group further strengthened its strategy of "winning through costs", starting with operation management and overall budget management, further strengthening cost control and reducing costs. During the year, the Group's continuing business incurred a total cost of RMB7.442 billion in its principal operations, excluded from the impact of provision for onerous contracts, representing a year-on-year increase of 11.83%.

Fuel expenditure is the largest item of the transportation costs of the Group and is the most important aspect of cost management. The Group leverages the advantages of transportation capacity, structure, vessel type and routes to promote centralized and unified management and focuses on the synergy of scale procurement. In 2017, the Group's average purchase price of overseas fuel was USD315/tonne, which was lower than the market price (average price of USD327/tonne of IFO380 in Singapore) by USD12/tonne; the average purchase price of domestic fuel was RMB3,441/tonne, which was lower than the market price (RMB3,575/tonne) by RMB134/tonne. The Group made a bulk procurement of foreign fuel of 321,000 tonnes, at an average price of USD280/tonne, which reduced the procurement costs by nearly RMB130 million. Through maximising cruising speed efficiency, the Group aimed to control cargo oil heating, washing, filling, ballast water replacement and other technical aspects to improve fuel efficiency, resulting in a year-on-year increase in fuel consumption by 42.37%.

In addition to the control of fuel costs, the Group also joined hands with China COSCO Shipping Corporation Limited and its subsidiaries ("COSCO SHIPPING Group") in negotiating for favourable port fees and preferential policies with major ports and agencies, and signed an insurance service framework agreement with COSCO SHIPPING Property Insurance Co., Ltd.* (中遠海運財產保險自保公司) to exercise a general control over the insurance expenses as a whole. The Group cooperated with COSCO SHIPPING Group to further promote the reform of the crew management system, integrate the crew management resources, and exert the synergistic effects of crew management, aiming to gradually reduce the overall management costs.

The cost constitution of the Group's principal operations for 2017 is as follows:

Item	**2017** (RMB'000)	2016 (RMB'000)	**Increase/ (decrease)** (%)	**Composition ratio in 2017** (%)
Continuing operations				
Fuel costs	**2,027,482**	1,424,085	42.37	27.24
Port costs	**811,475**	780,942	3.91	10.90
Sea crew cost	**1,179,235**	1,006,727	17.14	15.85
Lubricants expenses	**192,188**	142,072	35.28	2.58
Depreciation	**1,871,003**	1,645,877	13.68	25.14
Insurance expenses	**157,348**	155,265	1.34	2.11
Repair expenses	**245,921**	270,004	(8.92)	3.31
Charter cost	**580,827**	994,533	(41.60)	7.81
Others	**376,698**	235,560	59.92	5.06
Total	**7,442,177**	6,655,065	11.83	100.00

Note: The operating costs in the above table have been excluded from the impact of provision for onerous contracts.

4. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

(1) The operating results achieved by the 3 joint ventures of the Group in 2017 are as follows:

Company name	**Interest held by the Group**	**Shipping volume** (billion tonne-nautical miles)	**Operating revenue** (RMB'000)	**Net profit** (RMB'000)
CLNG	50%	17.48	1,073,256	382,853
Sino-Ocean Shipping Co., Ltd.	50%	1.45	74,987	25,766
Offshore Oil (Yangpu) Shipping Co., Ltd.	43%	1.45	173,168	47,392

(2) **The operating results achieved by an associate of the Group in 2017 is as follows:**

Company name	**Interest held by the Group**	**Shipping volume** (billion tonne-nautical miles)	**Operating revenue** (RMB'000)	**Net profit** (RMB'000)
Shanghai Beihai Shipping Company Limited	40%	13.58	1,254,554	454,431

In 2017, the net profit achieved by China Shipping Finance Co., Limited, a non-shipping associate, in which the Company held a 25% equity interest, was approximately RMB195 million.

5. SAFE WORK

In 2017, the Group adhered to the safety guidelines of "implementing high-standard management, customizing high-standard vessels, and providing high-standard crews", taking safety as the core competitiveness of its transportation services, and striving to provide its global customers with safe and high-quality logistics solutions. No general or above safety accidents occurred and no work-related casualties occurred during the year; the Group recorded a success rate of 100% in preventing typhoon and flooding; a success rate of 100% in safeguarding against pirates; a passing rate of 100% in the ISPS inspection; a passing rate of 100% in the PSC inspection, with a no-defect approval rate of 82.6%, representing a year-on-year increase of 10.4 percentage points; a passing rate of 100% in FSC inspection, with a no-defect approval rate of 23.1%, representing a year-on-year increase of 5.7 percentage points; a passing rate of 100% in inspection by major oil companies; and its social management and comprehensive management qualifying in all aspects.

6. FINANCIAL ANALYSIS

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB3,452,994,000, representing an decrease of approximately 72% as compared to approximately RMB12,120,295,000 for the year ended 31 December 2016.

(2) Capital commitments

	Note	**2017 RMB'000**	2016 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**9,563,431**	8,891,396
Project investments	(ii)	**487,255**	655,930
		10,050,686	9,547,326

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2018 to 2021.

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

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB298,709,000 (2016: RMB121,969,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,430,809,000 (2016: RMB2,267,070,000).

(3) Capital structure

Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans and bonds payable less cash and cash equivalents.

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

	2017	2016
		(Restated)
	RMB'000	RMB'000
Total debts	29,278,990	26,611,958
Less: cash and cash equivalents	(5,007,654)	(6,385,069)
Net debt	24,271,336	20,226,889
Total equity	28,261,889	27,588,049
Net debt-to-equity ratio	86%	73%

(4) Trade and bills receivables

	2017	2016
		(Restated)
	RMB'000	RMB'000
Trade and bills receivables from third parties	962,966	1,232,407
Trade receivables from joint ventures	—	122
Trade receivables from fellow subsidiaries	5,383	6,117
Trade receivables from related companies (note)	750	—
	969,099	1,238,646
Less: allowance for doubtful debts	(14,730)	(22,499)
	954,369	1,216,147

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

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

	2017	2016
		(Restated)
	RMB'000	RMB'000
Within 3 months	**758,917**	918,710
4 – 6 months	**83,273**	104,940
7 – 9 months	**43,543**	102,566
10 – 12 months	**27,575**	28,127
1 – 2 years	**41,061**	60,995
Over 2 years	**—**	809
	954,369	1,216,147

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

(5) Trade and bills payables

	2017	2016
		(Restated)
	RMB'000	RMB'000
Trade and bills payables to third parties	**685,852**	757,063
Trade payables to immediate holding company	**1,985**	1,374
Trade payables to fellow subsidiaries	**301,427**	595,360
Trade payables to an associate	**3,267**	—
Trade payables to related companies (note)	**54,030**	—
	1,046,561	1,353,797

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

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

	2017 RMB'000	2016 (Restated) RMB'000
Within 3 months	**626,597**	1,042,369
4 – 6 months	**75,940**	58,469
7 – 9 months	**73,324**	35,738
10 – 12 months	**60,941**	3,835
1 – 2 years	**15,995**	19,877
Over 2 years	**193,764**	193,509
	1,046,561	1,353,797

Trade and bills payables are non-interest-bearing and are normally settled in 1 to 3 months.

(6) Provision and other liabilities

	2017 RMB'000	2016 RMB'000
Provision for onerous contracts	**54,621**	495,338
Others	**15,318**	15,281
	69,939	510,619
Less: current portion	**(54,621)**	(302,551)
Non-current portion	**15,318**	208,068

Onerous contracts relate to operating lease contracts for certain vessels chartered by the Group from other parties where the unavoidable costs of meeting the obligations under the lease agreements exceed the economic benefits expected to be received from them for the next 12 months.

(7) Derivative financial instruments

As at 31 December 2017, the Group had interest rate swap agreements with total notional principal amount of approximately USD554,364,000 (equivalent to RMB3,622,325,000) (2016: approximately USD537,040,000 (equivalent to RMB3,725,448,000)) which will be matured in 2031 and 2033 (2016: 2031 and 2032). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the Reporting Period, the floating interest rates of the bank borrowings were 3-month London Inter-bank Offered Rate ("Libor") plus 2.20% (2016: 3-month Libor plus 0.42%, 0.65% or 2.20%).

(8) Interest-bearing bank and other borrowings

	2017 RMB'000	2016 (Restated) RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	1,216,509	1,119,250
Unsecured	4,289,599	3,475,198
	5,506,108	4,594,448
(ii) Other borrowings		
Unsecured	1,372,410	30,185
Interest-bearing bank and other borrowings – current portion	6,878,518	4,624,633
Non-current liabilities		
(i) Bank borrowings		
Secured	14,068,254	11,531,962
Unsecured	2,995,123	5,149,582
	17,063,377	16,681,544
(ii) Other borrowings		
Unsecured	208,850	271,665
Interest-bearing bank and other borrowings – non-current portion	17,272,227	16,953,209

As at 31 December 2017, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 39 (2016: 25) vessels and 4 (2016: 5) vessels under construction with total net carrying amount of RMB19,998,023,000 (2016: RMB11,367,817,000) and RMB3,216,511,000 (2016: RMB6,568,108,000) respectively.

As at 31 December 2017, secured bank borrowings of RMB15,085,062,000 (2016: RMB12,479,811,000) and unsecured bank borrowings of RMB6,704,422,000 (2016: RMB7,342,329,000) are denominated in United States Dollar ("USD").

(9) Bonds payable

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

	2017	2016
	RMB'000	RMB'000
At 1 January	**3,982,045**	3,978,488
Interest charge	**3,732**	3,557
At 31 December	**3,985,777**	3,982,045

(10) Contingent liabilities

(i) Aquarius LNG Shipping Limited ("Aquarius LNG") and Gemini LNG Shipping Limited ("Gemini LNG"), and Capricorn LNG Shipping Limited ("Capricorn LNG") and Aries LNG Shipping Limited ("Aries LNG") are associates of East China LNG Shipping Investment Co., Limited and North China LNG Shipping Investment Co., Limited, 2 non-wholly-owned subsidiaries of the Company (the "4 Associates") respectively. Each associate entered into a ship building contract for one LNG vessel. After the completion of each LNG vessel, the 4 Associates would, in accordance with time charters agreements to be signed, lease their LNG vessels to the following charterers respectively:

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

On 15 July 2011, the Company entered into 4 guaranteed leases (the "Lease Guarantees"). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the 4 Associates with guarantee (1) for the 4 Associates to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the 4 Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB53,580,000). The guarantee period is limited to 20 years which represented the lease period of each LNG vessel leased by the 4 Associates.

(ii) At the 2014 seventh Board meeting held on 30 June 2014, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by 3 joint ventures of the Group for the Yamal LNG project (the "3 Joint Ventures"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD490,000,000 (equivalent to RMB3,201,758,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. which the total aggregate liability of the Company under these guarantees is limited to USD6,400,000 (equivalent to RMB41,819,000).

(iii) Subsequent to the approval by independent shareholders at the annual general meeting held on 8 June 2017, the Company entered into three financing guarantees with 2 banks (the "Banks"), to the extent of amount of USD377.5 million (equivalent to RMB2,466,661,000), in respect of 50% of the bank borrowings provided by the Banks to each of the 3 Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the 3 Joint Ventures. The guarantee period provided by the Company for each of the 3 Joint Ventures is limited to 12 years after the vessel construction project of each of the 3 Joint Ventures is completed.

(11) Foreign exchange risk management

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

As at 31 December 2017, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB6,729,000 higher/lower (2016: RMB8,951,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

(12) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2017 and 2016.

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

As at 31 December 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB111,606,000 (2016: RMB150,967,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

7. OTHERS

(1) Fleet expansion projects

In 2017, the Group has achieved further development in its fleet expansion.

In 2017, the cash outflow from investment activities of the Group was approximately RMB7.1 billion which has been paid for construction and purchase of new vessels and capital increases (in form on both investment and loans) into associates and joint ventures of the Group, in which capital expenditure of approximately RMB6.1 billion was paid for the construction and purchase of new vessels by the Group.

In terms of fleet expansion, 13 new tankers with a total capacity of approximately 2.34 million DWT and five new jointly-invested LNG vessel with capacity of approximately 870,000 cubic metres have been delivered for use in 2017. In 2017, the Group entered into a contract for the construction of 16 new oil tankers, totalling 3,057,600 dwt; it also invested in the construction of four new LNG vessels, totalling 696,000 cubic metres.

As at 31 December 2017, the composition of the Group's fleet is as follows:

	Number of vessels	**Deadweight tonnes/Cubic metres** ('000)	**Average age** (years)
Oil Tankers	116	17,155	7.7
LPG vessels	5	15	10.8
LNG vessel (note)	4	696	0.8
Total	125	17,170/696	7.6

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

8. OUTLOOK AND HIGHLIGHTS FOR 2018

(1) Competitive landscape and development trend in the industry

International oil shipping market

In view of the supply and demand of international oil transportation capacity market, CLARKSONS expects the growth rate of demand for crude oil tanker capacity to be 5.2% in 2018, that of capacity supply to be 3.5%, and growth rate of demand is 1.7 percentage points higher than that of supply; it expects the growth rate of demand for refined oil tanker capacity to be 3.4% in 2018, that of capacity supply to be 1.6%, and growth rate of demand is 1.8 percentage points higher than that of supply. In addition to the supply and demand fundamentals, the international oil market freight rates will be subject to fluctuations due to the impact of international crude oil price trends and geopolitical factors.

Looking at the demand side of transportation capacity, in terms of international crude oil transportation, the volume of transportation has been steadily increasing with the distance extending, which together support the demand for transportation capacity to continue to grow. The demand for oil in the Far East, especially China and India, remained strong, where the crude oil imports continued to grow rapidly; production cuts of Organisation of the Petroleum Exporting Countries ("OPEC") and the increase in crude oil exports from the American and African countries have resulted in a significant increase in the number of long-haul voyages. In terms of international refined oil transportation, with the new refining capacity shifting to oil-producing countries, the demand for refined oil tanker capacity will further increase. Due to the effect of multiple factors such as the construction of "One Belt and One Road" projects and the continuous improvement in its oil refining capacity, China's refined oil exports will continue to increase year on year.

Looking at the supply side of transportation capacity, according to the latest statistics from CLARKSONS, among the fleets of oil tankers of 10,000 tonnes or above, old-fashioned oil tankers aged 15 or older accounted for 19.1%, which is at a relatively high level. With the Ballast Water Convention and the Sulphur Emissions Convention coming into effect, the cost pressure on the old vessels will continue to build up. Since the second half of 2017, the number of tankers dismantled has increased dramatically, and there were altogether 13 VLCCs dismantled for the whole 2017, representing a year-on-year increase of 84.6%, the trend is expected to continue in 2018. As at the end of 2017, the global order capacity with oil tankers accounted for approximately 11% of the existing capacity, and the ratio of the order capacity to capacity of vessels aged more than 15 years is approximately 62%, which is at a relatively low level. It is expected that in 2018, the delivery of new vessels will slow down as compared to the previous year. These two factors jointly contributed to the decline in capacity supply.

Domestic oil shipping market

With regard to the domestic coastal crude oil shipping market, with the accelerated construction of pipelines and large terminals in China, the logistics structure of the transportation of locally refined oil has changed, and the demand of imported crude oil for water transhipment may go down. However, benefiting from the policy on the loosening of the rights to import crude oil and the rights to use the imported crude oil, in 2018, the quota for crude oil import for local refineries will reach 142 million tonnes, representing a year-on-year increase of approximately 50 million tonnes, which will support the overall stability of the coastal crude oil shipping market.

As for the domestic coastal refined oil shipping market, the supply of and demand for transportation capacity will remain generally stable. With the continuous improvement in the coastal refined oil price index mechanism, the market competition will tend to be standardized and transparent, and resources are expected to further converge to the leading industries with advantages on scale.

LNG shipping

According to Drewry's forecast, with the completion of LNG liquefaction plants in North America in 2018-2020 and the launch of LNG projects in the Arctic region of Russia during the same period, global LNG production capacity will increase from 377 million tonnes in mid-2017 to 564 million tonnes in 2020, representing an increase of 49%. It is estimated that by 2020, there will be an increase of 60 million tonnes/year in global demand for LNG, which will need 50-60 LNG vessels to cater for.

In recent years, China is making remarkable efforts to promote the application of natural gas, a clean energy source, and the development of related industries. It has declared that the consumption of natural gas should account for 10% of the total energy consumption by 2020, and 15% by 2030. In the past decade, China's natural gas consumption was growing at approximately 14.98%, while the natural gas output was growing at 10.31%. The gap between production and consumption is continuously widening, making China the second largest LNG importer in the world in 2017.

Recently, the cooperation between the Chinese and American enterprises in energy, especially in LNG, is widening. For example, CNPC has entered into a memorandum of cooperation with Cheniere Energy from US to commence cooperation in the LNG project in the Gulf of Mexico; China Petrochemical Corporation ("Sinopec") and other companies signed an agreement with Alaska Gas Development Corporation (AGDC) to jointly develop the LNG project in Alaska, and so on. At the end of 2017, Russia's Yamal LNG project (Phase I) was formally put into operation. Cooperation between China and Russia in the field of LNG is destined to have a bright future. The rapid growth of China's natural gas consumption and the significant increase in global LNG production capacity will promote the rapid growth in China's LNG imports and will bring on more opportunities for the development of the Group's LNG shipping business.

(2) Development strategies of the Company

Facing the opportunities and challenges in the new era, the Group will strive to become a "Brilliant Leader in Global Energy Transportation with International Competitiveness, Brand Influence and Customer Satisfaction", and accomplish its transformation from a participant to a leader in global energy transportation. To this end, the Group will accelerate its strategic transformation into an all-round tanker transportation service providers, who can provide its customers with full-range transportation solutions and one-stop services, while continuing its operation at the bottom of the cycle in the oil shipping industry, aiming at low-cost expansion. At the same time, it will vigorously implement its strategy of "Advancing towards the Blue Ocean" and penetrate the emerging areas such as "new energy, new routes and new business", promoting the forward-looking presence establishment and comprehensive upgrade of its business structure.

(3) Operational plans

In 2018, the Group expects to introduce a total of eight new oil tankers, totalling 1.54million dwt, and nine LNG vessels, totalling 1.56 million cubic metres (including joint ventures, associated companies). It is expected that there will be 139 oil tankers put into operation during the year, totalling 19 million tonnes, and 25 LNG vessels, totalling 4.17 million cubic metres (including joint ventures, associated companies).

According to the situation of the domestic and international shipping market in 2018, combined with the introduction of the Group's new shipping capacity, the main objectives of the Group in 2018 are as follows: completing a transportation volume of 426.3 billion tonnes-nautical miles; generating an expected operating income of RMB11 billion; and incurring operating costs of RMB8.5 billion.

(4) **Work initiatives of the Company**

In response to the current market environment, the Group will adhere to the following tasks in 2018:

A. *Advancing the "Five Changes" and accomplishing the strategic transformation into a full-range tanker transportation service provider.*

The first change is to integrate the domestic and foreign trade and transportation resources, establish a full logistics planning service mechanism for major customers, and realizing the transformation of the Group's fleet operation from focusing on market segments to providing full logistics service. The second is to implement the customer manager system and simultaneously build four marketing centres to accomplish the transition of marketing model from ship-oriented to customer-oriented. The third is to enforce centralized management and control of vessels, establish a unified and high-standard safety management system, and accomplish the transition of vessel management from decentralized management to intensive management. The fourth is to unify the guarantee function for fleet operation, strengthen the management and control of operational efficiency and revenue, and accomplish the transition of operation management from extensive management to intensive management. The fifth is to build a big data analytics platform, strengthen the pre-judgment on the real-time market opportunities and analysis of industry competition, and realize the change in thinking from a shipping dispatcher to a shipping trader. Through the "Five Changes" with providing the Group's customers with full-range transportation solutions and one-stop services as the main guideline, the Group will complete the re-allocation of the resources elements required for the strategic transformation and form new competitive edges.

B. *Exploiting the advantages of the Group's fleet structure and form a business structure in which the market is linked internally and externally and the routes complement each other.*

In terms of international oil transportation, the Group must make good use of its overseas outlets in Houston, London and Singapore, and focus on development of the western markets; make new achievements in the development of triangular routes resources and sources of goods in the third countries, so as to further improve its global supply networks and improve the efficiency of its vessel operations, while grasping the opportunity of increased exports of refined oil in China to develop incremental sources of refined oil exports and expand market share.

In terms of domestic oil transportation, as a result of the capital injection into Dalian PetroChina Shipping Limited (大連中石油海運有限公司), the Group has become a leading player in the coastal refined oil transportation industry. It will take full advantage of this joint venture platform, strengthen cooperation with local refineries, and establish a synergy mechanism for the industry transportation resources, aiming to exert greater influence on the coastal refined oil market. The Group will continue to optimize its business model of "liner transportation", carefully serve the customers, improve its operational efficiency, and increase customer loyalty.

C. *Adhering to the cost-leadership strategy and exploit reforms and lean management for benefits.*

Based on the reform of the crew management system, in 2018, the Group will continue its efforts in specialization, further promote the reform of the vessel management system, continue to release the scale effect and synergies, increase the integration of internal resources, and strive for new breakthroughs in the control of costs and expenses, and exploit the reforms for benefits. The Group will insist on the dynamic tracking of fuel price locking mechanism, formulate long-term, medium-term and short-term operation plans, and stay in line with the market pace. The Group will strive for combining the normalized lean management of fuels with the extreme deceleration in a special period, comprehensively calculating the voyage costs and charter revenue, optimizing the route design, achieving the optimal match of cargo oil heating and voyage fuel consumption, and maximizing the voyage efficiency.

D. *Grasping the golden period of market development and accelerating the expansion of LNG shipping business.*

The Group will increase its efforts in the development of LNG business, focusing on the development and progress of LNG cooperation projects between China and US, China and Russia, and along the “One Belt and One Road”, seizing the market opportunities of China’s massive import of LNG, and make good use of the advantages of long-term strategic alliance with the “Three Barrels of Oil (PetroChina, Sinopec and CNOOC)”, and secure more investment opportunities in LNG projects. While advancing the specialization reform, the Group will further increase its management capability of LNG vessels, so as to build an international brand of LNG vessel management, and improve its capability to participate in bidding for international projects.

E. *Joining in the global green energy revolution and vigorously developing new energy transportation business.*

In recent years, the global demand for clean energy such as methanol, ethanol and ethane has been increasing rapidly, while China is one of the fastest growing markets. Many of these emerging energy projects adopt operating model similar to that of the LNG project, i.e. customizing shipping capacity based on long-term leases. The Group’s investments in these long-term projects will not only enable it to expand the scale of business with stable income, but more importantly, enable it to proactively establish its strategic presence in the emerging businesses and gain leading edge. The Group will carefully select target projects, conduct careful research and demonstration, strive to make breakthroughs in shipping of new energies, and promote the further upgrade of its business structure.

F. *Building a solid foundation for safety and gaining safety marketing expertise.*

The Group will accelerate the integration of the excellent safety management mechanisms developed by Dalian Tanker and Shanghai Tanker in their respective development processes; increase the Group's efforts in improving the navigation safety monitoring measures, promoting the maintenance plan for the whole life cycle, reinforcing the risk assessment mechanism before the actual work is started and strengthening the operation management of goods while increasing management efforts; promote the management system under which the chiefs manage the vessels and further forming a closed-loop management mechanism. The Group will make good use of information technology to promote safety to build a digital ship management platform and improve its risk prevention capabilities and safety management efficiency.

G. *Strengthening the Group's counter-cycle development and expanding room for future profitability.*

At present, the oil tanker shipping industry is at the bottom of the cycle, with the equity and assets of the tanker owners all at the low level of valuation. Ship dismantling, sales, and mergers and acquisitions have reached the peak in recent years. As the market is expected to rebound, the favourable opportunities for low-cost expansion will arise but will soon disappear. The Group will adhere to the two-wheel drive mode in which scale growth and quality improvement are both prioritized, seize the window period to speed up the low-cost expansion, and simultaneously plan for resource integration and business cooperation. At the same time, the Group will accelerate its entry into the upstream and downstream industries, extend its industrial chain, so as to achieve strategic coordination.

H. *Reinforcing the team and inspiring the vitality of the Company.*

The Group's share incentive scheme (draft) has been approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC"), which has made an unprecedented example for the introduction of equity incentive scheme by a listed state-owned shipping company. The Group will accelerate its pace in completing the implementation of the equity incentive scheme and closely link the interests of the shareholders, senior management and those holding the key positions in the Company, so as to maximize shareholders' value. The Group will further strengthen the construction of its talent team and focus on the selection of talents with professional qualifications at home and abroad. The Group will also launch a campaign known as "Hero Express" to organize and carry out the Company's key tasks in a project-based manner, thus providing the talents of the Group with a stage to showcase their capabilities.

CORPORATE GOVERNANCE REPORT

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

I. IMPROVEMENT OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

In 2017, the Company amended the "Management System for Special Deposit and Use of Proceeds" in order to comply with the relevant laws and regulations. The Company also revised the Articles for the share incentive scheme according to the newly published rules by the China Securities Regulatory Commission.

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

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

1. IMPLEMENTATION OF INTERNAL CONTROL

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

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

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

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

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

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

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

2. MANAGEMENT STRUCTURE

The Company has established a "three lines of defence model", which together with various operation activities, forms an internal control and risk management operation system in accordance with the COSO (Committee of Sponsoring Organization) Framework and the Guidelines on Comprehensive Risk Management of State-owned Enterprises (《中央企業全面風險管理指引》) based on the environment monitoring, risk assessment and countermeasure, supervision and improvement, as well as information communication and management.

The first line of defence comprises all departments and all units, which are responsible for participating in the construction of the risk control system, implementing systems related to risk management and business control, as well as responding to and reporting risk events; the second line of defence comprises the Company's risk management department, which is responsible for organizing, establishing and maintaining the risk control system, preparing risk control management reports regularly and reporting to the management, as well as participating in the control of high-risk businesses and giving advice from a risk perspective; and the third line of defence comprises the Company's audit department, which is responsible for the construction and evaluation of the risk control system, as well as supervising risk management and internal control.

The Company's management makes decisions on significant risk matters; considers and approves the Company's management rules and regulations; considers the Company's annual self-evaluation report on internal control and risk management report, and provides guidance on annual risk management work according to the Rules of Procedures for General Manager's Meeting.

The Audit Committee is established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities are reviewing the Company's financial control, internal control and risk management systems; discussing with the management on the internal control system to ensure the management has performed its duties in establishing an effective internal control system; evaluating the appropriateness of the design of listed companies' internal control systems; reviewing the self-evaluation report on internal control; reviewing the internal control audit report issued by external audit firms, and discussing with external audit firms on problems found and improvements; evaluating internal control evaluation and audit results, thereby supervising the rectification of defects on internal control. In 2017, four meetings were held by the Audit Committee to listen to the special reports on the construction of the internal control and risk management system, as well as operation monitoring, and to provide guidance on internal control and risk management efforts.

3. WORK RESULTS OF 2017

In 2017, according to the requirements of comprehensive risk management, the Company strengthened its policies, rules and regulations in relation to internal control and its construction of the internal control system and risk control, so as to lay a foundation for comprehensive risk management with solid support and protection. Firstly, the Company strengthened the top-level design of its policies, rules and regulations, studied and formulated the framework system and construction plan for the Company's policies, rules and regulations; secondly, the Company continued to push forward the construction of the internal control system, so that risks were discovered from the process perspective, and process was regulated from the risk perspective, achieving a dynamic combination of risk management and internal control; thirdly, the Company conducted risk evaluation and reports on significant projects, conducted special risk evaluation on significant investment, long-term ship leasing and other businesses, in order to formulate countermeasures and supervise its implementation; fourthly, the Company gave risk early warning regarding internal and external risk events; fifthly, the Company organized annual internal control evaluation and specialized business evaluation in an effort to track and rectify various defects; sixthly, the Company held risk strategies seminar 2018 which identified 39 risks by way of brainstorming, and on this basis, top 10 risks in 2018 were selected by experts through analysis on internal and external environment, risk evaluation was then carried out and risk countermeasures were formulated.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

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

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

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

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

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

In 2017, the Board approved the share incentive scheme (draft), and received the response from the SASAC. This share incentive scheme will be submitted to the general meeting and the shares class meeting for the approval of the Shareholders.

V. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

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

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

According to the requirements of code provision E.1.2, the Chairman of the Board should attend the annual general meeting and invite the Chairman of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees, where appropriate, to attend the meeting. The annual general meeting of the Company held on 8 June 2017 ("2017 AGM") was presided by Mr. Liu Hanbo (the executive Director and general manager). In addition, Mr. Lu Junshan (the then executive Director) Mr. Ruan Yongping (the Independent non-executive Director and the Chairman of the Audit Committee) and Mr. Wang Wusheng (the independent non-executive Director and the Chairman of the Nomination Committee) attended the 2017 AGM and answered Shareholders' questions related to corporate governance of the Company.

As provided for in code provision A.6.7, executive directors, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Sun Jiakang (the executive Director), Mr. Feng Boming, Mr. Zhang Wei, Ms. Lin Honghua (the non-executive Directors) and, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng (the independent non-executive Directors) were unable to attend the 2017 AGM due to prior commitments. In addition to the 2017 AGM, the independent non-executive Directors, namely Mr. Wang Wusheng, Mr. Ip Sing Chi and Mr. Teo Siong Seng were unable to attend the first extraordinary general meeting held on 16 March 2017 due to prior commitments. The independent non-executive Directors, namely Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng were unable to attend the second extraordinary general meeting held on 10 October 2017. The independent non-executive Directors, namely Mr. Ip Sing Chi and Mr. Teo Siong Seng were unable to attend the third extraordinary general meeting held on 18 December 2017.

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

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. In order to ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2017, the Company held 4 general meetings. The table on page 41 of this annual report shows the attendance of the Directors at the general meetings. At the 2017 AGM, 8 resolutions were passed, among which the Report of the Directors for 2016, the Report of Supervisory Committee for 2016, the profit distribution plan for 2016, the remuneration domestic and proposal of the Directors and the Company's supervisors (the "Supervisors") for 2017, and the re-appointment of domestic and international auditors of the Company for 2017 were adopted.

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

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

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

3. The Board

(1) The responsibility of the Board

The Board is elected in the Shareholders' meeting.

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

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

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

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

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

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

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

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

(2) Composition of the Board

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

The Directors during the Reporting Period were:

Executive Directors:

Mr. Huang Xiaowen (黃小文) (Chairman)	(Appointed on 10 October 2017)
Mr. Sun Jiakang (孫家康) (Chairman)	(Resigned on 10 October 2017)
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)	
Mr. Lu Junshan (陸俊山)	

Non-executive Directors:

Mr. Feng Boming (馮波鳴)
Mr. Zhang Wei (張煒)
Ms. Lin Honghua (林紅華)

Independent non-executive Directors:

Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)
Mr. Ruan Yongping (阮永平)	
Mr. Ip Sing Chi (葉承智)	
Mr. Rui Meng (芮萌)	
Mr. Teo Siong Seng (張松聲)	

The Company convened the second extraordinary general meeting of 2017 on 10 October 2017, in which Mr. Huang Xioawen was elected as an executive Director.

Members of the Board, including the Chairman and the chief executive officer (the "CEO") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive Directors. The biographies of all Directors are set out on pages 225 to 232 of this annual report and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

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

(3) The Responsibility of Directors

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

4. Performance of Independent Non-executive Directors' Duties

The Company has adopted the rules and procedures on independent non-executive Directors' work. In 2017, the Company had five independent non-executive Directors exceeding one-third of the total number of the Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of accounting, law, shipping and finance, respectively. Mr. Ruan Yongping, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Ruan Yongping, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this annual report. The five independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance to the Articles and the relevant requirements under the applicable laws and regulations.

In 2017, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive Directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision making process of the Board. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive Directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

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

5. Securities Transactions by Directors

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

6. Board Meetings

In the Reporting Period, the Board convened a total of 14 meetings and considered and passed 67 board resolutions so as to review the financial and operating performance of the Group. The following table shows the attendance of the Directors at the Board meetings and general meetings.

		Rate of attendance for Board meeting	Rate of attendance for General meeting
Executive Directors:			
Mr. Huang Xiaowen (黃小文) (Chairman)	(Appointed on 10 October 2017)	5/5	2/2
Mr. Sun Jiakang (孫家康) (Chairman)	(Resigned on 10 October 2017)	6/7	1/3
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)		14/14	4/4
Mr. Lu Junshan (陸俊山)		14/14	3/4
Non-executive Directors:			
Mr. Feng Boming (馮波鳴)		11/11	0/4
Mr. Zhang Wei (張煒)		10/11	2/4
Ms. Lin Honghua (林紅華)		11/11	2/4
Independent non-executive Directors:			
Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)	14/14	3/4
Mr. Ruan Yongping (阮永平)		14/14	4/4
Mr. Ip Sing Chi (葉承智)		14/14	0/4
Mr. Rui Meng (芮萌)		13/14	2/4
Mr. Teo Siong Seng (張松聲)		14/14	0/4

* In addition to the Directors' attendance in person to the Board meetings as disclosed in the table above, the following Directors appointed an alternative to attend Board meetings respectively in 2017: (1) Mr. Sun Jiakang appointed Mr. Liu Hanbo to attend 1 Board meeting; (2) Mr. Zhang Wei appointed Mr. Feng Boming to attend 1 Board meeting; (3) Mr. Rui Meng appointed Mr. Ruan Yongpong to attend 1 Board meeting.

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

7. Chairman and CEO

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

8. The Professional Committees of the Board

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

(1) Audit Committee

The Audit Committee comprised 3 independent non-executive Directors as at 31 December 2017 with Mr. Ruan Yongping being the Chairman. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least four meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2017, the Audit Committee held 4 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows the attendance of members of the Audit Committee during the Reporting Period:

Members of the Audit Committee		**Rate of attendance**
Mr. Ruan Yongping (阮永平) (Chairman)		4/4
Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)	3/4
Mr. Rui Meng (芮萌)		4/4

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

The Audit Committee considered the proposals in respect of the annual report of the Company for 2016, appraisal report of the Company's internal control for 2016, the appointment of the Company's domestic and international auditors for 2017 and the interim report of the Company for 2017, and formed the written opinions of the Audit Committee in respect of the Company's annual report for 2016, the draft profit distribution plan for 2016 and the interim report of the Company for 2017.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2017, the Audit Committee held 3 meetings with the external auditors. The Audit Committee reviews the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee not only pays attention to changes in the accounting policies and practices but also complies with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

(2) Remuneration and Appraisal Committee

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

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

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

In 2017, the Remuneration and Appraisal Committee held two meetings, and all members attended the meeting. In the meeting, the Remuneration and Appraisal Committee assessed performance of executive Directors, reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2016. The Company's remuneration policy for 2016 is based on the market practice, the operating results achieved by the Company and the qualification, duties and responsibilities of Directors. The Remuneration and Appraisal Committee also considered the remuneration of the Directors and Supervisors of the Company for 2017 and the implementation of the Company's stock incentive plan.

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

Members of the Remuneration and Appraisal Committee		**Rate of attendance**
Mr. Ip Sing Chi (葉承智) (Chairman)		2/2
Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)	2/2
Mr. Ruan Yongping (阮永平)		2/2
Mr. Rui Meng (芮萌)		2/2
Mr. Teo Siong Seng (張松聲)		2/2

(3) Strategy Committee

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

During 2017, the Strategy Committee held one meeting, advising on the construction of new vessels and the non-public issuance of A Shares. The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

Members of the Strategy Committee		**Rate of attendance**
Executive Directors:		
Mr. Huang Xiaowen (黃小文) (Chairman)	(Appointed on 10 October 2017)	1/1
Mr. Liu Hanbo (劉漢波)		1/1
Mr. Lu Junshan (陸俊山)		1/1
Non-executive Directors:		
Mr. Feng Boming (馮波鳴)		1/1
Mr. Zhang Wei (張煒)		1/1
Ms. Lin Honghua (林紅華)		1/1
Independent non-executive Directors:		
Mr. Ip Sing Chi (葉承智)		1/1
Mr. Rui Meng (芮萌)		1/1
Mr. Teo Siong Seng (張松聲)		1/1

(4) Nomination Committee

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

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

In 2017, the committee convened 3 meetings to consider relevant issues such as the appointment of executive Directors, deputy general manager and company secretary of the Company, and relevant proposals were submitted to the Board for approval. The following table shows the attendance of members of the Nomination Committee during the Reporting Period:

Members of the Nomination Committee		**Rate of attendance**
Mr. Wang Wusheng (王武生) (Chairman)	(Retired on 16 January 2018)	3/3
Mr. Ruan Yongping (阮永平)		3/3
Mr. Rui Meng (芮萌)		3/3

9. Accountability and Audit

FINANCIAL REPORTING

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim financial information and annual consolidated financial statements that give a true and fair view of the Group's affairs and its consolidated financial performance and its consolidated cash flows in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance (Cap. 622 of the laws of Hong Kong) ("Hong Kong Companies Ordinance"). In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to Shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgements and estimates made by management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditors and management, and then submitted to the Audit Committee for review.

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

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

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

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

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2017. Baker Tilly China Certified Public Accountants LLP and Baker Tilly Hong Kong Limited, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditor's reports on the consolidated financial statements for the year ended 31 December 2017.

EXTERNAL AUDITORS AND THEIR REMUNERATION

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

Fees in respect of audit services provided by the Baker Tilly China Certified Public Accountants LLP, Baker Tilly Hong Kong Limited and other auditors to the Group during the Reporting Period amounted to RMB2,367,000, RMB2,049,000 and RMB218,000, respectively.

Fees in respect of non-audit services provided by the Baker Tilly China Certified Public Accountants LLP for internal control and non-public issuance of A shares audit services during the Reporting Period amounted to RMB800,000 and RMB1,500,000 respectively.

INTERNAL CONTROLS

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

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

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

INTERNAL AUDIT

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

INSIDE INFORMATION

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

10. Delegation by the Board of Directors

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

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

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

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

During the Reporting Period, the Company has also organised two briefing sessions conducted by China International Capital Corporation Limited and Guotai Junan Securities Co., Ltd. respectively for the Directors. The briefing sessions covered topics including the global assets' mergers and acquisitions, the analysis of the financial statements and the market value management.

A summary of training received by the Directors since 1 January 2017 up to 31 December 2017 is as follows:

Name		Programme
Executive Directors:		
Mr. Huang Xiaowen (黃小文) (Chairman)	(Appointed on 10 October 2017)	
Mr. Sun Jiakang (孫家康) (Chairman)	(Resigned on 10 October 2017)	A, B
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)		A, B
Mr. Lu Junshan (陸俊山)		A, B
Non-executive Directors:		
Mr. Feng Boming (馮波鳴)		A, B
Mr. Zhang Wei (張煒)		A, B
Ms. Lin Honghua (林紅華)		A, B
Independent non-executive Directors:		
Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)	A, B
Mr. Ruan Yongping (阮永平)		A, B
Mr. Ip Sing Chi (葉承智)		A, B
Mr. Rui Meng (芮萌)		A, B
Mr. Teo Siong Seng (張松聲)		A, B

Notes:

A: attending briefing session held by China International Capital Corporation Limited

B: attending briefing session held by Guotai Junan Securities Co., Ltd

In 2017, the Company Secretary took no less than 15 hours of relevant professional training and complied with Rule 3.29 of the Listing Rules.

12. Supervisory Committee

At the end of the Reporting Period, the Supervisory Committee consists of 4 members, of which two Supervisors are elected from the staff as representatives of the employees of the Company. The Supervisors during 2017 were:

Mr. Weng Yi (翁羿) (Chairman)
Mr. Chen Jihong (陳紀鴻)
Mr. Xu Yifei (徐一飛) (Representatives of the employees)
Ms. An Zhijuan (安志娟) (Representatives of the employees)

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2017, the Supervisory Committee convened 8 meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2017, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions. For the details, please refer to the section headed "REPORT OF THE SUPERVISORY COMMITTEE" in this annual report.

13. Investor Relations

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

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

14. Change to the Articles

In accordance with the relevant laws and regulations in the PRC, including the Guidance on the Articles of Association of Listed Companies (revised in 2016) (《上市公司章程指引》（2016修訂）) and the Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the China Securities Regulatory Commission and the Guideline on the Distribution of Cash Dividends by Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) issued by the Shanghai Stock Exchange, the third extraordinary general meeting of the Company which was held at 18 December 2017 approved to make certain amendments on the Company's profit distribution plan on the Articles to reflect the above changes. The announcement for the proposed changes is published on The Stock Exchange of Hong Kong (the "Stock Exchange") at 1 December 2017.

The Board hereby presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

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

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

SUMMARY FINANCIAL INFORMATION

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

	For the year ended 31 December				
	2017	2016	2015	2014	2013
		(Restated)			
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**9,504,935**	9,808,889	10,709,298	12,273,849	11,344,152
Operating costs	**(7,251,227)**	(7,059,385)	(7,505,633)	(10,885,620)	(11,524,839)
Gross profit/(loss)	**2,253,708**	2,749,504	3,203,665	1,388,229	(180,687)
Other income and net gains/(losses)	**842,251**	14,727	1,004,508	385,883	(612,389)
Marketing expenses	**(29,206)**	(14,697)	(15,055)	(57,470)	(49,309)
Administrative expenses	**(630,586)**	(707,835)	(498,083)	(441,583)	(489,151)
Other expenses	**(53,781)**	(65,858)	(55,731)	(45,349)	(44,933)
Share of profits of associates	**266,902**	268,099	215,932	91,083	–
Share of profits of joint ventures	**151,591**	163,807	223,506	205,902	111,581
Finance costs	**(745,867)**	(874,374)	(1,056,665)	(1,204,702)	(964,462)
Profit/(loss) before tax	**2,055,012**	1,533,373	3,022,077	321,993	(2,229,350)
Income tax (expense)/credit	**(161,644)**	(323,047)	(237,122)	79,834	11,903
Profit/(loss) for the year from continuing operations	**1,893,368**	1,210,326	2,784,955	401,827	(2,217,447)
Discontinued operation					
Profit/(loss) for the year from discontinued operation, net of tax	**–**	760,501	(1,527,222)	–	–
Profit/(loss) for the year	**1,893,368**	1,970,827	1,257,733	401,827	(2,217,447)
Profit/(loss) for the year attributable to:					
Owners of the Company	**1,774,647**	1,932,524	1,180,921	309,413	(2,234,106)
Non-controlling interests	**118,721**	38,303	76,812	92,414	16,659
	1,893,368	1,970,827	1,257,733	401,827	(2,217,447)
		(Restated)			
Earnings/(loss) per share	**RMB cents**	RMB cents	RMB cents	RMB cents	RMB cents
Basic and diluted	**44.01**	47.93	29.70	9.09	(65.62)

	At 31 December				
	2017	2016	2015	2014	2013
		(Restated)	(Restated)		
Assets, liabilities and non-controlling interests	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**60,384,731**	58,309,476	85,925,448	80,947,134	58,842,479
Total liabilities and non-controlling interests	**(32,465,091)**	(30,896,387)	(54,218,230)	(55,239,800)	(37,615,108)
	27,919,640	27,413,089	31,707,218	25,707,334	21,227,371

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

Notes:

1. The consolidated results of the Group for the years ended 31 December 2015, 2014 and 2013 are extracted from the Company's 2016 annual report, while those for the years ended 31 December 2017 and 2016 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 92 and 93 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2014 were extracted from the Company's 2016 annual report, and those as at 31 December 2013 were extracted from the Company's 2014 annual report, while those as at 31 December 2017, 2016 and 2015 were prepared based on the consolidated statement of financial position as set out on pages 94 and 95 of the consolidated financial statements.

3. The calculation of basic and diluted earnings per share for the year ended 31 December 2017 is based on the profit attributable to owners of the Company for that year of RMB1,774,647,000 and weighted average number of 4,032,033,000 ordinary shares.

4. The calculation of basic and diluted earnings per share for the year ended 31 December 2016 is based on the profit attributable to owners of the Company for that year of RMB1,932,524,000 and weighted average number of 4,032,033,000 ordinary shares.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 92 to 95.

No net profit has been transferred to the statutory surplus reserve as the Company's statutory surplus reserve has reached the statutory minimum standard extract at the end of 2017. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under accounting principles generally accepted in the PRC ("PRC GAAP") and the amount determined under HKFRS.

The Board recommend the payment of a final dividend of RMB5 cents per share in respect of the year to the Shareholders. There was no arrangement under which a Shareholder has waived or agreed to waive any dividends. The proposed final dividend is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the Reporting Period.

The Company will separately announce the arrangement in relation to the closure of the H share register of members of the Company and the annual general meeting of the Company in due course.

As at the end of the Reporting Period, the net assets per share was RMB6.9245 and the Directors considered that the net assets per share as at the end of the Reporting Period after the Proposed Final Dividends per share would be RMB6.8745.

BUSINESS REVIEW

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

A fair review of the Company's business

Please refer to the section of "ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE REPORTING PERIOD" and "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on pages 5 to 12 of this annual report.

A description of the principal risks and uncertainties facing the Company

(1) The risk of macroeconomic fluctuations

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

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

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

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

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

(4) *The risk of freight rate fluctuations*

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

(5) *The risk of fuel price fluctuations*

The costs of principal operations of the Group mainly include, among other things, fuel costs, port expenses, depreciation charges and crew expenses, of which fuel costs account for the largest proportion. During 2016 and 2017, excluded from the impact of provision for onerous contracts, the percentage of fuel costs in the costs of principal operations of the Group was 21.4% and 27.2%, respectively. In recent years, with greater crude oil price fluctuations in the international market, prices of bunker oil are also more volatile, together with increasing revision and enhancement in new domestic and international requirements in vessel discharge, there will be greater impact on the fuel purchasing price of the Group. Therefore, future fluctuations in fuel prices will have considerable impact on the costs of principal operations and profitability level of the Group.

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

(6) *The risk of safety in shipping*

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

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

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

(7) The risk of higher capital expenditure

As at 31 December 2017, it is expected by the Group that its fleet will increase by 8 new oil tankers of 1,542,000 DWT and 2 LNG vessels of 350,000 cubic metres in 2018, the capital expenditure in 2018 is expected to be USD3.41 billion. As the lead time for construction of vessels is relatively long, a substantial amount of capital expenditure will require a longer time to generate benefits, thus the commencement of operation of a large number of new vessels may increase depreciation charges and finance costs, and hence will reduce profitability, within a certain period of time.

(8) The risk of exchange rate

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

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

Please refer to the section of "EVENTS AFTER THE REPORTING PERIOD" on page 68 of this report of the Directors.

An indication of likely development in the Company's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2018" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 24 to 29 of this annual report.

An analysis using financial key performance indicators

Revenue

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 6 to 12 of this annual report.

Costs and expenses

Please refer to the section of "COSTS AND EXPENSES ANALYSIS" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 12 and 13 of this annual report.

Other income and net gains

Other income and net gains of the Group resulted from the continuing operations of the year was approximately RMB842 million which increased approximately 5,619% compared to 2016. The improvement in other income and net gains was mainly contributed by the net gain from disposal of property, plant and equipment compared to a significant net loss from disposal of property, plant and equipment due to the Group had disposed of a vessel in 2016 and the difference was approximately RMB316 million; the government subsidies which the Group had received approximately RMB234 million more when compared to 2016 and net exchange gain was resulted for the year when compared to net exchange loss in 2016 which also led the increase in other income and net gains of approximately RMB115 million.

Share of profits of associates and joint ventures

Please refer to the section of "OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 13 and 14 of this annual report.

Income tax

Income tax of the Group resulted from the continuing operations of the year was RMB162 million which declined approximately 50%. The decline was mainly due to the assessable profits generated from the entities within the Group operating in the PRC was significantly decreased which was affected by the fluctuation of the global shipment market of the year.

The Company's environmental policies and performance

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

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

Save for Code Provisions A.6.7 and E.1.2 of Corporate Governance Code set out in Appendix 14 to the Listing Rules (for details, please refer to the descriptions on page 36 under the "CORPORATE GOVERNANCE REPORT" herein), the Group has been in compliance with relevant laws and regulations that have a significant impact on the Company.

Key relationships with employees, customers, suppliers and others

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

CHARITABLE DONATIONS

The Group made a donation of approximately RMB4 million during 2017 (2016: RMBnil).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 37 to the consolidated financial statements.

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

PRE-EMPTIVE RIGHTS

According to the Articles, the existing Shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC GAAP and the amount determined under HKFRS, amounted to RMB8,908,528,000 before the proposed final dividend.

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

BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for 39.13% of the Group's total turnover. The largest customer is UNIPEC ASIA CO., LTD ("聯合石化亞洲有限公司") and the sales to it accounted for 17.92% (2016: 8.91% saled to Ningbo China Offshore Oil Shipping Co., Ltd. ("寧波中海油船務有限公司") of the Group's total turnover in the year. None of the Directors, Supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

In the Year under Review, the five largest suppliers of materials and services to the Group combined accounted for 44.06% of the Group's total purchases. The largest supplier is Dalian Shipbuilding Industry Co., Ltd. ("大連船舶重工集團有限公司"), and the purchases from it accounted for 22.89% (2016: 9.30% purchased from China Shipping International Ship Management Co., Ltd.) of the Group's total purchases in the year. Three subsidiaries of China COSCO Shipping Corporation Limited ("COSCO Shipping") constituted three of the remaining four largest suppliers of the Group.

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

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

Executive Directors:

Mr. Huang Xiaowen (黃小文)	(Appointed on 10 October 2017)
Mr. Sun Jiakang (孫家康)	(Resigned on 10 October 2017)
Mr. Liu Hanbo (劉漢波)	
Mr. Lu Junshan (陸俊山)	

Non-executive Directors:

Mr. Feng Boming (馮波鳴)
Mr. Zhang Wei (張煒)
Ms. Lin Honghua (林紅華)

Independent non-executive Directors:

Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)
Mr. Ruan Yongping (阮永平)	
Mr. Ip Sing Chi (葉承智)	
Mr. Rui Meng (芮萌)	
Mr. Teo Siong Seng (張松聲)	

Supervisors:

Mr. Weng Yi (翁羿)
Mr. Chen Jihong (陳紀鴻)
Mr. Xu Yifei (徐一飛)
Ms. An Zhijuan (安志娟)

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

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

Note 1: Mr. Wang Wusheng (王武生) has retired from the position as an independent non-executive Director of the eighth session of the Board, the chairman of the nomination committee of the Board, a member of the remuneration and appraisal committee of the Board and a member of the audit committee of the Board due to expiration of his tenure as an independent non-executive Director of the eighth session of the Board.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors and the senior management of the Group are set out on pages 225 to 232 of this annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

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

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

DIRECTORS' REMUNERATION

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

REMUNERATION BY BANDS

The emoluments paid or payable to the Directors, Supervisors and senior management during 2017 fell within the following bands:

Remuneration by bands	Number of Directors	Number of Supervisors	Number of Senior Management
RMBnil to RMB500,000	12	4	1
RMB500,001 to RMB1,000,000	–	–	–
RMB1,000,001 to RMB1,500,000	–	–	5
RMB1,500,001 to RMB2,000,000	–	–	5
RMB2,000,001 to RMB2,500,000	–	–	2

REMUNERATION AND APPRAISAL COMMITTEE

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

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in notes 46(1) and 46(2) to the consolidated financial statements, China Shipping and its subsidiaries other than the Group provided miscellaneous management and other services to the Group during the year for a total fee of RMB3,075,000 (2016: RMB12,140,000), and COSCO Shipping and its subsidiaries other than the Group provided miscellaneous management and other services to the Group during the year for a total fee of RMB2,565,000 (2016: RMBnil).

Each of Mr. Xu Lirong (resigned on 3 June 2016), Mr. Zhang Guofa (resigned on 8 March 2016), Mr. Huang Xiaowen, Mr. Ding Nong (resigned on 19 September 2016), Mr. Yu Zenggang (resigned on 19 September 2016) and Mr. Yang Jigui (resigned on 22 August 2016) were interested in such services agreement to the extent they were senior management and common director of China Shipping and were directors of the Company at the time and they have abstained from voting in respect of the relevant Board resolutions.

PERMITTED INDEMNITY PROVISIONS

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

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

As at 31 December 2017, the following shareholders held 5% or more of the nominal value of any class of share capital of the Company, carrying rights to vote in all circumstances at any shareholders' general meeting of the Company, according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"):

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping Group Company Limited[3]	A	1,536,924,595 (L)	56.17%	38.12%
GIC Private Limited[4]	H	129,082,000 (L)	9.96%	3.20%
Prudential plc[5]	H	117,444,000 (L)	9.06%	2.91%

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

Note 2: Percentage shown on that as recorded in the Section 352 of the SFO register kept by the Company. As at 31 December 2017, the total issued share capital of the Company was 4,032,032,861 shares of which 1,296,000,000 were H Shares and 2,736,032,861 were A Shares.

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

Note 4: As at 31 December 2017, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited held the above Shares as an investment manager.

Note 5: As at 31 December 2017, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Prudential plc held the above Shares as an investment manager.

Save as disclosed above, as at 31 December 2017, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in this report of the Directors (including but not limited to the connected transactions and continuing connected transactions stated below), as at 31 December 2017 or during the Reporting Period, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party.

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

As at 31 December 2017, none of the Directors, Supervisors, chief executive or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2017, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2017 are set out in note 43 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Company and the Group had connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the connected transactions and continuing connected transactions are set out in note 46 to the consolidated financial statements.

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

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 46 to the consolidated financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

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

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its international auditor to perform certain factual finding procedures in respect of the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board and confirmed that in respect of the disclosed continuing connected transactions:

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

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

c. nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions set out in note 46 to the consolidated financial statements, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company and disclosed in the previous announcements dated 12 November 2015, 29 March 2016, 29 April 2016 and 28 June 2017 made by the Company in respect of the disclosed continuing connected transactions.

EMPLOYEES

As at the end of 2017, the Company had approximately 6,257 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2017, the total staff costs was approximately RMB1.874 billion (2016: approximately RMB2.094 billion).

EMPLOYEE HOUSING

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

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

MEDICAL INSURANCE SCHEME

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

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Group are set out in note 42 to the consolidated financial statements.

No forfeited contributions were available as at 31 December 2017 to reduce future contributions.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

On 6 March 2018, a capital injection agreement and a supplemental agreement ("Capital Injection Agreements") were entered into by PetroChina Company Limited ("PetroChina"), Dalian PetroChina Shipping Limited ("PetroChina Dalian"), a wholly-owned subsidiary of PetroChina prior to the entering of the Capital Injection Agreements, and the Company. Pursuant to the Capital Injection Agreements, the Company shall inject a sum of RMB396,551,000 into PetroChina Dalian by cash as registered capital and capital reserve of PetroChina Dalian. Upon completion of the capital injection, the Company and PetroChina will hold 51% and 49% equity interest in PetroChina Dalian respectively. PetroChina Dalian will therefore become a subsidiary of the Company.

By order of the Board
Huang Xiaowen
Chairman

Shanghai, the PRC
28 March 2018

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter refer to as the "Company"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2017 in accordance with the format and requirement provided in the Memorandum for Periodic Work Reporting of Listed Companies (No.5) – Guidance on Independent Non-executive Directors' Work during Annual Duty Reporting Period (《上市公司定期報告工作備忘錄（第五號）—獨立董事年度報告期間工作指引》) as below, and will report the same to shareholders at the annual general meeting of the Company.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

As at 31 December 2017, the Board comprises 11 Directors, including 4 shareholding Directors, 2 management Directors and 5 independent non-executive Directors. The constitution is in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Listing Rules. The independent non-executive Directors are professionals with work experience in the fields of finance, shipping, accounting and law, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions. The three independent non-executive Directors, Mr. Wang Wusheng, Mr. Ruan Yongping and Mr. Ip Sing Chi, act as Chairman of the relevant committee (as the case may be), in three professional committees, i.e., the Nomination Committee, the Audit Committee, the Remuneration and Appraisal Committee under the Board. For further information of the biographical details of the five independent non-executive Directors, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

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

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

1. Attendance of Board Meetings and General Meetings

In 2017, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention on during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2017, the Company convened 14 Board meetings (11 meetings of which were held by way of correspondence) and 4 general meetings. We have reported our duty performance report in the 2017 Annual General Meeting and the Report is published in the Company's website and the website of the Shanghai Stock Exchange.

The following table shows the attendance of independent non-executive Directors at the above meetings in 2017:

Name	**Number of Board meetings/ general meetings required to attend this year** (times)	**Attend Board meetings/ general meetings in person** (times)	**Attend Board meetings/ general meetings by proxies** (times)	**Board meetings/ general meetings absence** (times)
Mr. Wang Wusheng (王武生) (Retired on 16 January 2018)	14/4	14/3	0/0	0/1
Mr. Ruan Yongping (阮永平)	14/4	14/4	0/0	0/0
Mr. Ip Sing Chi (葉承智)	14/4	14/0	0/0	0/4
Mr. Rui Meng (芮萌)	14/4	13/2	1/0	0/2
Mr. Teo Siong Seng (張松聲)	14/4	14/0	0/0	0/4

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

2. Work of Professional Committees of the Board

During the Reporting Period,

(1) The Strategy Committee of the Board of the Company consisted of 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. Mr. Huang Xiaowen was the Chairman. Mr. Ip Sing Chi, Mr. Teo Siong Seng and Mr. Rui Meng, our independent non-executive Directors, with extensive professional knowledge and work experience in shipping and finance, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers. During 2017, the Strategy Committee held one meeting, advising on the construction of new vessels and non-public issuance of A shares of the Company.

(2) The Audit Committee comprised 3 members, all being independent non-executive Directors, and Mr. Ruan Yongping was the Chairman. During 2017, the Audit Committee held 4 meetings, considered the proposals in respect of the annual report of the Company for 2016, appraisal report of the Company's internal control for 2016, the appointment of the Company's domestic and international auditors for 2017 and the interim financial report of the Company for 2017, reviewed the accounting policies adopted by the Company, the effectiveness of internal control system and the relevant financial issues. Relevant opinions were issued for the reference of the Board to ensure the completeness, fairness and accuracy of the Group's consolidated financial statements and the relevant information.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2017, the Audit Committee held 3 meetings with the external auditors. The Audit Committee will first review the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

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

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

(3) The Remuneration and Appraisal Committee comprised of 5 members, all being independent non-executive Directors and Mr. Ip Sing Chi was the Chairman. In 2017, the Remuneration and Appraisal Committee held two meetings. In the meeting, the Remuneration and Appraisal Committee reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2016. The Company's remuneration policy for 2017 is based on the qualification, duties and responsibilities of Directors.

(4) The Nomination Committee consisted of 3 Directors, all being independent non-executive Directors, and Mr. Wang Wusheng was the Chairman of the committee. In 2017, the committee convened 3 meetings to consider relevant issues such as the appointment of executive Directors, deputy general manager, Chief Financial Officer and Company Secretary of the Company, and relevant proposals were submitted to the Board for approval.

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

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

1. Connected Transactions

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

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

2. External Guarantee and Funds Embezzlement

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

3. Use of the Raised Funds

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

4. Nomination of Senior Managerial Staff and their Remuneration

In 2017, the Nomination Committee held 3 meetings. At the meetings, the proposal on advising the appointments of Ms. Li Zhuoqiang as the Secretary of the Company (《關於聘任李倬瓊女士為公司董事會秘書的議案》), the proposal in respect of the appointment of Mr. Huang Xiaowen as an executive director of the Company (《關於聘任黃小文先生為公司執行董事的議案》), the proposal in respect of the appointment of Mr. Xiang Yongmin as the Chief Financial Officer of the Company, and the proposal in respect of the appointment of Mr. Yang Shicheng as the deputy general manager of the Company, were considered respectively, and the same were submitted to the Board for its approval. The nomination procedure is in line with the relevant laws and regulations as well as the requirements of the Articles.

The Company has established incentive mechanisms that correlated with business results in order to refine management exploit potentials, increase profitability and to promote activeness of managers and technicians.

In 2017, the Board approved the share incentive scheme (draft), and received the feedback from the State-owned Assets Supervision and Administration Commission of the State Council. This share incentive scheme will be submitted to the general meeting and the share class meeting for the approval of the shareholders.

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

5. Results Forecast and Preliminary Financial Data

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

Suffering from the sluggish of the international oil transportation market, the daily profit earning is declined approximately 40% to 60% for the six months ended 30 June 2017. The Company published an announcement of profit warming in July 2017.

The Company has not released any announcement in January 2018 as it is predicted that there is no significant changes of annual turnover between 2016 and 2017.

6. Appointment or Replacement of Certified Public Accountants

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

7. Cash Dividends and Other Returns for Investors

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

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

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

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

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

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

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

In 2016, the Company achieved a net profit attributable to owners of the Company RMB1.934 billion (before restatement). The Board recommended the distribution of a final dividend if RMB19 cents per share (tax inclusive) for the financial year of 2016 which had been approved at the 2017 AGM and the dividend has been paid to shareholders in August 2017.

8. Fulfilment of Undertakings by the Company and Shareholders

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

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

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

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

9. Implementation of Information Disclosure

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

10. Implementation of Internal Controls

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

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

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

10. Implementation of Internal Controls (Continued)

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

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

In 2017, the Company drafted 16 new rules and regulations to reinforce the overall risk management to the highest level for the system construction work. The Company enhanced the comprehensive internal control prevention procedures, carried out annual and specific risk assessment and report, and carried out the risk event review. The Company also strengthened the internal control system by adopting the procedures in 2012 version of the Internal Control Manual of COSCO SHIPPING Energy (《中遠海運能源內部控制手冊》) (draft), and organised the annual and specific internal control evaluations. All the self-evaluation of risk management will drive the establishment and realization of an all-round risk management control system.

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

11. Operation of the Board and its Professional Committees

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

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

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

We, the 5 independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2017, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

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

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2017, we maintained regular communication with management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2018, we will continue to comply with the laws and regulations and the provisions of the Articles in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive Directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

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

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

28 March 2018

REPORT OF THE SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2017, the Supervisory Committee held 8 meetings, details of which are set out below:

	Date	Resolutions
1	25-Jan-17	1. Proposal on provision for liability in respect of estimated loss on long-term chartering contracts and
2	28-Mar-17	1. 2016 annual report extract of H share, annual report summary and announcement of annual results of the Company 2. 2016 financial report of the Company 3. Profit distribution plan of the Company for 2016 4. 2016 Board of directors' report of the Company 5. 2016 independent non-executive directors' report of the Company 6. 2016 society responsibility report of the Company 7. 2016 internal control self evaluation report of the Company 8. 2017 risk management report of the Company 9. motion on the annual remuneration for senior officers for the year 2016 10. motion on the annual remuneration for directors and supervisors for the year 2017. 11. motion on signing the Audit Services Agreement for the year 2016 12. motion on appointment of domestic and international auditors of the Company for the year 2017 13. Proposal on changes in accounting policies 14. motion of provisions of guarantee to China Shipping Development Hong Kong in April 2017 15. motion on provision of additional guarantee by the Company from the second half of 2017 to the first half of 2018 16. 2016 annual general meeting of the Company
3	28-Apr-17	1. 2017 first quarterly report of the Company 2. the appointment of Ms. Li Zhuoqiang as the company secretary of the Company 3. motion of provisions of guarantee to China Shipping Development Hong Kong
4	29-Aug-17	1. 2017 interim report and 2017 interim results announcement of the Company 2. Proposal on changes in accounting policies

	Date	Resolutions
5	30-Oct-17	1. 2017 third quarterly report of the Company 2. motion on signing agreement entered into between Shanghai LNG and MOL in respect of YAMAL LNG vessels 3. motion on the construction of 14 vessels 4. resolution in relation to the satisfaction by the Company of the criteria for the proposed non-public issuance of A shares 5. motion on the scheme of non-public A shares issuance for the year 2017 6. motion on the plan of non-public A shares issuance for the year 2017 7. motion on feasibility analysis report of use of proceeds from non-public A shares issuance for the year 2017 8. motion on the Company needing not to prepare a use of proceeds report of previous funds raising 9. motion on signing a conditional share subscription agreement with COSCO Shipping Group 10. motion on connected transaction involved in non-public A shares issuance 11. motion on proposing general meeting to grant exemption to COSCO Shipping Group from increasing shares in the Company by means of tender offer 12. motion on plan of shareholder returns of the Company for coming three years (year 2017 to 2019) 13. motion on the diluted impact of non-public A shares issuance on current returns and countermeasures by the Company to increase returns 14. motion on the Company's undertaking of taking countermeasures to increase diluted returns from this non-public A shares issuance 15. motion on application for Whitewash Waiver 16. motion on authorization to process documents of Whitewash Waiver 17. motion on special authorization for the scheme of non-public A shares issuance 18. motion put to general meeting to authorize the Board of Directors and its authorized persons with full power to handle matters relating to non-public A shares issuance 19. Proposal on 3rd special shareholders' meeting of 2017, 1st shareholders' meeting of A shares of 2017 and 1st shareholders' meeting of H shares of 2017

	Date	Resolutions
6	13-Nov-17	1. motion on merger by absorption of China Shipping Finance Co., Ltd. and COSCO Finance Co., Ltd. by the Company 2. motion on signing a shareholders agreement of combined finance companies
7	19-Dec-17	1. motion on the Stock Option Incentive Plan (Draft) of COSCO SHIPPING Energy Transportation Co., Ltd. and its summary 2. motion on the Administrative Measures for the Stock Option Incentive Plan (Draft) of COSCO SHIPPING Energy Transportation Co., Ltd. 3. motion on the Administrative Measures for the Assessment of Stock Option Incentive Plan (Draft) of COSCO SHIPPING Energy Transportation Co., Ltd. 4. motion put to the general meeting and class meeting of COSCO SHIPPING Energy Transportation Co., Ltd. to authorize its Board of Directors to handle matters relating to the stock option incentive plan 5. motion on two newly-constructed vessels of 0.308 million tonnes
8	28-Dec-17	1. Proposal on changes in accounting policies 2. Proposal on implementation of newly revised accounting standards for business enterprises

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

(3) Members of the Supervisory Committee were present at all the meetings of the Board in 2017. The following were presented to the supervisors: the 2016 audited financial report of the Company, the proposed profit distribution plan of the Company for 2016, the 2016 annual report and annual report summary of the Company, and the proposed non-public issuance of A shares of the Company. Through attending these Board meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.

(4) Members of the Supervisory Committee were present at the 2017 AGM, at which the Supervisory Committee gave an account of the 2016 report of the Supervisory Committee, and expressed the independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2017:

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

(2) During the Reporting Period, the Company's assets are optimised continuously and the Company achieved sustainable profit. The Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2017 annual consolidated financial statements represented 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 in 2017 and the 2017 annual consolidated financial statements were audited by Baker Tilly China Certified Public Accountant LLP and Baker Tilly Hong Kong Limited.

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

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

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

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

Shanghai, the PRC
28 March 2018

BAKER TILLY
HONG KONG | 天職香港

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

OPINION

We have audited the consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 92 to 222, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

1. Revenue recognition

Refer to notes 2.19 and 3.12 to the consolidated financial statements for the Group's accounting policies and accounting estimates and judgements and refer to note 6 to the consolidated financial statements for detailed disclosures of revenue recognised by the Group as at 31 December 2017.

The key audit matter	How the matter was addressed in our audit
Accuracy and timing of revenue recognition is one of the key judgmental areas for the audit, particularly in respect of the different revenue streams in the Group. These include the various contractual arrangements which carry particular billing terms which can lead to complexity and a consequent risk of error in the calculation of revenue and any deferred and accrued revenue.	Our audit procedures included: • testing controls over the Group's revenue systems; • scrutinising manual journals relating to revenue to assess the timing and appropriateness of revenues recorded and recognised; and • conducting substantive analytical procedures on revenue.

KEY AUDIT MATTERS (Continued)

2. Impairment assessment of vessels

Refer to notes 2.8 and 3.4 to the consolidated financial statements for the Group's accounting policies and accounting estimates and judgements and refer to note 17 to the consolidated financial statements for detailed disclosures of property, plant and equipment recognised by the Group as at 31 December 2017.

The key audit matter	How the matter was addressed in our audit
The Group has vessels with total net carrying amount of approximately RMB40,316,620,000 as at 31 December 2017. Following a review of the business, the outlook for the industry and operating plans, management has evaluated this carrying amount by applying significant judgement in assessing the impairment charge. Based on their best estimates, management is of the view that no impairment losses for the Group's vessels should be recognised during the year. In particular, management's estimates are dependent upon the key bases, including: • cash flow forecasts which are derived from internal forecasts and management's assumptions relating to future performance; and • discount rates and the long term growth rates including the assessment of risk factors and growth expectations for the relevant segment.	Our audit procedures included: • checking the accuracy and relevance of the data used by management to estimate fair value less costs of disposal and value in use; • assessing key assumptions used by management to estimate values in use based on our assessment of conditions and expectations in the shipping industry; • considering the appropriateness of the resale values estimated by management based on our assessment of conditions in the shipping industry and on the values obtained by the Group in respect of vessels that have been disposed of during the year; and • considering the potential impact of reasonably possible downside changes in these key assumptions.

KEY AUDIT MATTERS (Continued)

3. Change in accounting estimates: provision for onerous contracts

Refer to notes 2.27 and 3.11 to the consolidated financial statements for the Group's accounting policies and accounting estimates and judgements and refer to note 31 to the consolidated financial statements for detailed disclosures of provision for onerous contracts recognised by the Group as at 31 December 2017.

The key audit matter

As stated in note 5 to the consolidated financial statements, there was a change in the accounting estimates on the provision for onerous contracts. The change in accounting estimates for provision of onerous contracts resulted in a reversal of provision for onerous contracts which reduced the operating costs of the Group by approximately RMB360,969,000 for the year.

Significant estimations and judgements involved in the estimation of the expected economic benefits to be received from the contracts. The reversal of provision for onerous contracts which has been credited to operating costs was a significant transaction occurred during the year.

How the matter was addressed in our audit

Our audit procedures included:

- inquiry of management on the background of change in the accounting estimates;
- reviewing the subsequent actual market information and the estimated future freight rates used by management as to assess the appropriateness of change of the accounting estimates on provision for onerous contracts;
- assessing key assumptions used by management for the estimates on the provision by reference to latest market statistics and information; and
- Re-performing the calculation of schedule of the provision and reconciling to the accounting records.

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

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon (the "other information").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2018
Tong Wai Hang
Practising Certificate Number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 (Restated) RMB'000
Continuing operations			
Revenue	6	**9,504,935**	9,808,889
Operating costs		**(7,251,227)**	(7,059,385)
Gross profit		**2,253,708**	2,749,504
Other income and net gains	7	**842,251**	14,727
Marketing expenses		**(29,206)**	(14,697)
Administrative expenses		**(630,586)**	(707,835)
Other expenses		**(53,781)**	(65,858)
Share of profits of associates		**266,902**	268,099
Share of profits of joint ventures		**151,591**	163,807
Finance costs	8	**(745,867)**	(874,374)
Profit before tax	9	**2,055,012**	1,533,373
Income tax	10	**(161,644)**	(323,047)
Profit for the year from continuing operations		**1,893,368**	1,210,326
Discontinued operation			
Profit for the year from discontinued operation, net of tax		**–**	760,501
Profit for the year		**1,893,368**	1,970,827
Other comprehensive (expense)/income	13		
Item that will not be reclassified subsequently to profit or loss, net of nil tax:			
Remeasurement of defined benefit plan payable		**5,670**	(160)
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange realignment		**(455,439)**	443,949
Fair value gain/(loss) on available-for-sale investments		**87,051**	(4,488)
Net loss on cash flow hedges		**(16,600)**	(30,641)
Reclassification adjustments for amounts transferred to profit or loss	8	**44,553**	–
Release upon disposal of discontinued operation		**–**	362,032
Share of other comprehensive expense of associates		**(8,476)**	(23,590)
Share of other comprehensive (expense)/income of joint ventures		**(91,988)**	71,113
Other comprehensive (expense)/income for the year		**(435,229)**	818,215
Total comprehensive income for the year		**1,458,139**	2,789,042

	Note	2017 RMB'000	2016 (Restated) RMB'000
Profit for the year attributable to owners of the Company:			
– Continuing operations		**1,774,647**	1,190,001
– Discontinued operation		**–**	742,523
		1,774,647	1,932,524
Profit for the year attributable to non-controlling interests:			
– Continuing operations		**118,721**	20,325
– Discontinued operation		**–**	17,978
		118,721	38,303
Profit for the year		**1,893,368**	1,970,827
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,272,514**	2,785,502
Non-controlling interests		**185,625**	3,540
		1,458,139	2,789,042
Earnings per share	15		
		RMB cents	(Restated) RMB cents
From continuing and discontinued operations			
– Basic and diluted		**44.01**	47.93
From continuing operations			
– Basic and diluted		**44.01**	29.51

The accompanying notes from pages 100 to 222 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**31 December 2017 RMB'000**	31 December 2016 (Restated) RMB'000	1 January 2016 (Restated) RMB'000
NON-CURRENT ASSETS				
Investment properties	16	**1,136,626**	1,104,907	1,097,975
Property, plant and equipment	17	**44,890,681**	42,260,749	63,573,789
Prepaid land lease payments	18	**77,221**	79,599	81,978
Goodwill	19	**58,168**	58,168	–
Investments in associates	20	**2,217,731**	1,994,902	2,040,968
Investments in joint ventures	21	**2,216,503**	2,005,062	6,027,017
Loan receivables	22	**2,092,689**	1,453,585	2,119,286
Available-for-sale investments	23	**395,717**	279,761	125,863
Deferred tax assets	24	**49,906**	52,258	486,993
		53,135,242	49,288,991	75,553,869
CURRENT ASSETS				
Current portion of loan receivables	22	**27,077**	18,899	–
Inventories	25	**656,220**	456,984	721,964
Trade and bills receivables	26	**954,369**	1,216,147	2,810,470
Prepayments, deposits and other receivables	27	**593,533**	919,252	1,914,105
Tax recoverable		**10,536**	–	–
Pledged bank deposits	28	**100**	24,134	45,731
Cash and cash equivalents	28	**5,007,654**	6,385,069	4,879,309
		7,249,489	9,020,485	10,371,579
CURRENT LIABILITIES				
Trade and bills payables	29	**1,046,561**	1,353,797	1,485,484
Other payables and accruals	30	**798,368**	1,198,165	1,221,558
Current portion of provision and other liabilities	31	**54,621**	302,551	181,308
Current portion of derivative financial instruments		**–**	–	4,258
Current portion of interest-bearing bank and other borrowings	33	**6,878,518**	4,624,633	11,072,327
Current portion of other loans	34	**73,615**	2,251	–
Current portion of obligations under finance leases		**–**	–	48,751
Current portion of employee benefits payable	36	**12,080**	12,620	13,130
Tax payable		**10,880**	122,473	138,604
		8,874,643	7,616,490	14,165,420
NET CURRENT (LIABILITIES)/ASSETS		**(1,625,154)**	1,403,995	(3,793,841)
TOTAL ASSETS LESS CURRENT LIABILITIES		**51,510,088**	50,692,986	71,760,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2017

	Note	**31 December 2017 RMB'000**	31 December 2016 (Restated) RMB'000	1 January 2016 (Restated) RMB'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	37	**4,032,033**	4,032,033	4,032,033
Reserves	38	**23,887,607**	23,381,056	27,675,185
		27,919,640	27,413,089	31,707,218
Non-controlling interests		**342,249**	174,960	1,023,653
TOTAL EQUITY		**28,261,889**	27,588,049	32,730,871
NON-CURRENT LIABILITIES				
Provision and other liabilities	31	**15,318**	208,068	174,553
Derivative financial instruments	32	**422,575**	474,988	411,385
Interest-bearing bank and other borrowings	33	**17,272,227**	16,953,209	32,520,423
Other loans	34	**1,068,853**	1,049,820	1,199,539
Obligations under finance leases		**–**	–	354,003
Bonds payable	35	**3,985,777**	3,982,045	3,978,488
Employee benefits payable	36	**130,300**	140,890	145,380
Deferred tax liabilities	24	**353,149**	295,917	245,386
		23,248,199	23,104,937	39,029,157
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**51,510,088**	50,692,986	71,760,028

Huang Xiaowen
Director

Liu Hanbo
Director

The accompanying notes from pages 100 to 222 form 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 RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale-investments revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (as previously reported)	4,032,033	7,749,939	273,418	76,341	6,378,153	2,877,435	91,041	93,158	(173,907)	3,874	(591,235)	10,896,968	31,707,218	862,874	32,570,092
Business combination involving entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	160,779	160,779
At 1 January 2016 (restated)	4,032,033	7,749,939	273,418	76,341	6,378,153	2,877,435	91,041	93,158	(173,907)	3,874	(591,235)	10,896,968	31,707,218	1,023,653	32,730,871
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,932,524	1,932,524	38,303	1,970,827
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	(160)	(160)	-	(160)
Exchange realignment	-	-	-	-	-	-	-	-	-	-	451,543	-	451,543	(7,594)	443,949
Fair value loss on available-for-sale investments	-	-	-	-	-	-	-	-	-	(2,289)	-	-	(2,289)	(2,199)	(4,488)
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(11,045)	-	-	-	(11,045)	(19,596)	(30,641)
Release upon disposal of discontinued operation	-	-	-	-	-	-	-	-	-	-	362,032	-	362,032	-	362,032
Share of other comprehensive expense of associates	-	-	-	-	-	-	-	-	(25,197)	519	6,462	-	(18,216)	(5,374)	(23,590)
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	-	-	(2,840)	73,953	-	71,113	-	71,113
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(36,242)	(4,610)	893,990	1,932,364	2,785,502	3,540	2,789,042
Business combination involving entities under common control	-	-	-	-	(6,629,409)	-	-	-	-	-	-	-	(6,629,409)	-	(6,629,409)
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(403,203)	(403,203)	-	(403,203)
Accrual of safety fund reserve	-	-	-	-	-	-	139,397	-	-	-	-	(143,228)	(3,831)	3,831	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(128,912)	-	-	-	-	133,217	4,305	(4,305)	-
Disposal of discontinued operation	-	-	-	-	-	-	(47,493)	-	-	-	-	-	(47,493)	(1,060,766)	(1,108,259)
Non-controlling interests arising from business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	220,857	220,857
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,850)	(11,850)
At 31 December 2016 (restated)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	54,033	93,158	(210,149)	(736)	302,755	12,416,118	27,413,089	174,960	27,588,049

	ATTRIBUTABLE TO OWNERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale-investments revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (as previously reported)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	54,033	93,158	(210,149)	(736)	302,755	12,416,118	27,413,089	9,993	27,423,082
Business combination involving entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	164,967	164,967
At 1 January 2017 (restated)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	54,033	93,158	(210,149)	(736)	302,755	12,416,118	27,413,089	174,960	27,588,049
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,774,647	1,774,647	118,721	1,893,368
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	5,670	5,670	-	5,670
Exchange realignment	-	-	-	-	-	-	-	-	-	-	(466,511)	-	(466,511)	11,072	(455,439)
Fair value gain on available-for-sale investments	-	-	-	-	-	-	-	-	-	44,396	-	-	44,396	42,655	87,051
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(6,773)	-	-	-	(6,773)	(9,827)	(16,600)
Reclassification adjustments for amounts transferred to profit or loss	-	-	-	-	-	-	-	-	18,178	-	-	-	18,178	26,375	44,553
Share of other comprehensive expense of associates	-	-	-	-	-	-	-	-	(7,500)	2,395	-	-	(5,105)	(3,371)	(8,476)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	-	-	-	-	(91,988)	-	(91,988)	-	(91,988)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	3,905	46,791	(558,499)	1,780,317	1,272,514	185,625	1,458,139
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(766,086)	(766,086)	-	(766,086)
Accrual of safety fund reserve	-	-	-	-	-	-	87,515	-	-	-	-	(90,073)	(2,558)	2,558	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(79,084)	-	-	-	-	81,765	2,681	(2,681)	-
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	1,425	1,425
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,638)	(19,638)
At 31 December 2017	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	62,464	93,158	(206,244)	46,055	(255,744)	13,422,041	27,919,640	342,249	28,261,889

The accompanying notes from pages 100 to 222 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 (Restated) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	40	**3,452,994**	12,120,295
INVESTING ACTIVITIES			
Interest received		**78,702**	205,982
Payments for construction in progress		**(6,062,909)**	(4,228,891)
Purchases of property, plant and equipment		**(93,628)**	(49,570)
Proceeds from disposal of property, plant and equipment		**293**	56,164
Loans to associates		**–**	(18,231)
Loans to joint ventures		**(779,592)**	(454,600)
Repayment from associates		**49,984**	1,238,884
Repayment from fellow subsidiaries		**–**	10,566,129
Dividends received from associates		**187,906**	200,000
Dividends received from joint ventures		**38,977**	504,938
Dividends received from available-for-sale investments		**8,824**	9,640
Acquisition of a subsidiary from business combination involving entities under common control		**–**	(6,629,409)
Acquisition of a subsidiary, net of cash paid		**–**	(206,024)
Compensation to a fellow subsidiary for the decrease in equity under the transition period in respect of disposal of discontinued operation		**(339,143)**	–
Net cash inflow from disposal of discontinued operation		**–**	4,131,313
Investments in associates		**(150,000)**	–
Investments in joint ventures		**(60,011)**	(133,320)
Decrease in pledged bank deposits		**24,034**	21,597
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(7,096,563)**	5,214,602

	Note	2017 RMB'000	2016 (Restated) RMB'000
FINANCING ACTIVITIES			
Interest paid		**(904,224)**	(1,136,661)
Subsidy received from government	8	**195,000**	–
Dividends paid		**(766,086)**	(403,203)
Dividends paid to non-controlling interests of subsidiaries		**(19,638)**	(11,850)
Increase in other loans		**111,340**	214,980
Repayment of other loans		**(6,212)**	(5,031)
Increase in interest-bearing bank and other borrowings		**8,761,102**	4,310,640
Repayment of interest-bearing bank and other borrowings		**(5,021,311)**	(18,853,356)
Capital element of finance leases rental paid		**–**	(38,330)
Contribution from non-controlling interests of a subsidiary		**1,425**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**2,351,396**	(15,922,811)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,292,173)**	1,412,086
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**6,385,069**	4,879,309
Effect of foreign exchange rate changes, net		**(85,242)**	93,674
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**5,007,654**	6,385,069

The accompanying notes from pages 100 to 222 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

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

(a) investment holding; and/or

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

(c) vessel chartering.

As at 31 December 2017, in the opinion of the directors of the Company (the "Directors"), China Shipping Group Company Limited (formerly known as China Shipping (Group) Company) ("China Shipping") and China COSCO Shipping Corporation Limited ("COSCO Shipping"), both established in the PRC, were the Company's immediate holding company and ultimate holding company respectively.

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

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

These consolidated financial statements have been approved for issue by the board of Directors (the "Board") on 28 March 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation

(a) In accordance with the asset transfer agreement entered into between the Company and a fellow subsidiary on 15 December 2016, the Company acquired 80% equity interest in COSCO SHIPPING Tanker (USA) Inc. ("USA Tanker") by way of capital contribution of USD320,000 (equivalent to RMB2,195,000). The acquisition of USA Tanker was completed on 22 February 2017 and has been accounted for as combination of businesses under common control since the Directors consider that the Company and the fellow subsidiary are under common control of COSCO Shipping both before and after the above mentioned acquisition.

Since 1 July 2017, the Group recognised Huahai Petrol Transportation & Trading Co., Limited ("Huahai Petrol") as its subsidiary by virtue of dominant voting interest obtained from the Company and, therefore, it has control over the operating, financing and investing activities of Huahai Petrol. The consolidation of Huahai Petrol has been accounted for as combination of businesses under common control since the Directors consider that the Company and Huahai Petrol are under common control of China Shipping both before and after the above mentioned acquisition.

The aforementioned acquisition of USA Tanker and consolidation of Huahai Petrol have been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The financial information of USA Tanker and Huahai Petrol have been incorporated into these consolidated financial statements. As a result, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of USA Tanker and Huahai Petrol. The consolidated statements of financial position as at 31 December 2016 and 1 January 2016 have been restated to include the assets and liabilities of USA Tanker and Huahai Petrol. Respective notes to the consolidated financial statements have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out in note 41 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation (Continued)

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

- investment properties (see note 2.7);

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

- derivative financial instruments (see note 2.18).

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation

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

– has power over the investee;

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations

(a) Business combination involving entities under common control

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

(b) Business combination not involving entities under common control

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Goodwill

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

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

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

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

2.6 Investments in associates and joint ventures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investments in associates and joint ventures (Continued)

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties

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

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

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

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

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

2.8 Property, plant and equipment and depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment and depreciation (Continued)

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

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

Note: Used vessel acquired is depreciated over its estimated remaining useful life.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Leasehold land and land use rights

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

2.10 Impairment of non-financial assets other than goodwill

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets

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

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

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

Loans and receivables

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

Effective interest method

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Available-for-sale investments

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

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

Fair value

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

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

Assets carried at amortised cost

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

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

Assets carried at cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Available-for-sale investments

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

2.13 Derecognition of financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Inventories

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

2.15 Cash and cash equivalents

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

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

2.16 Financial liabilities at amortised cost

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

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

Effective interest method

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Derecognition of financial liabilities

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

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

2.18 Derivative financial instruments and hedging

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

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

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

Embedded derivatives

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

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Derivative financial instruments and hedging (Continued)

Embedded derivatives (Continued)

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

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

Cash flow hedges

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition

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

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

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

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

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

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

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

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

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases

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

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

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

2.22 Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Income tax (Continued)

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Income tax (Continued)

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

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

2.23 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Translation for foreign operations

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Dividends

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

2.25 Government subsidies

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

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

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Provisions

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

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

Provision for onerous contracts

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

2.28 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

(c) Housing funds

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

(d) Retirement benefit costs

(i) Defined contribution retirement benefit plans

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

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

(ii) Defined benefit retirement benefit plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

(d) Retirement benefit costs (Continued)

(ii) Defined benefit retirement benefit plans (Continued)

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

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

(e) Enterprise annuity

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

(f) Termination benefits

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

(g) Housing subsidies

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Segment reporting

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

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

2.31 Events after the reporting period

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3.1 Fair value of investment properties

Messrs. China Tong Cheng Assets Appraisal Co., Ltd. ("China Tong Cheng"), 遼寧恆信德隆房地產土地評估有限公司 ("遼寧恆信") and 遼寧永順資產評估有限公司 ("遼寧永順"), which are independent certified public valuers in the PRC, were appointed to carry out a valuation of the Group's investment properties as at 31 December 2017 and 2016. The valuation was derived at by reference to market evidence of transaction prices for similar properties. Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment properties is reasonable.

As at 31 December 2017, the fair value of the Group's investment properties was RMB1,136,626,000 (2016: RMB1,104,907,000).

3.2 Useful lives of property, plant and equipment

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

3.3 Depreciation of vessels

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

As at 31 December 2017, the total net carrying amount of the Group's vessels was RMB40,316,620,000 (2016: RMB32,730,119,000).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.4 Impairment of vessels

The Group's major operating assets represent vessels. Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable.

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

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

3.5 Impairment of goodwill

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

As at 31 December 2017, the carrying amount of goodwill was RMB58,168,000 (2016: RMB58,168,000) and no impairment losses was recognised during the year (2016: RMBnil). Details of the impairment of goodwill assessment calculation are provided in note 19 to the consolidated financial statements.

3.6 Impairment of investments in associates and joint ventures

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

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

Based on management's best estimates, no impairment losses on investments in associates and joint ventures was recognised during the year (2016: RMBnil).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.7 Impairment of available-for-sale investments

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

Based on management's best estimates, no impairment losses on available-for-sale investments was recognised during the year (2016: RMBnil).

3.8 Deferred tax assets

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

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

3.9 Net realisable value of inventories

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

As at 31 December 2017, no allowance for inventories was recognised (2016: RMBnil).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.10 Provision for impairment losses on trade and other receivables

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

As at 31 December 2017, allowance for trade and other receivables amounted to RMB36,233,000 (2016: RMB48,169,000).

3.11 Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in vessel contracts. The expected economic benefits are estimated based on the latest shipping market statistics and information available as at the end of the reporting period while unavoidable costs are estimated based on charter hire payments that the Group is obliged to make under the non-cancellable chartered-in vessel contracts.

As at 31 December 2017, with the basis of estimation on the economic benefits expected to be received by the Group in respect of the non-cancellable chartered-in vessels contracts made by the management (see note 5), a provision of RMB54,621,000 (2016: RMB495,338,000) for onerous contracts was made (see note 31).

As at 31 December 2017, had the estimated freight rates for the onerous contracts, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased or increased by RMB4,270,000 (2016: RMB55,572,000).

3.12 Voyages in progress

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.13 Provision of voyage expenses

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

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

4.1 Impact of new and amendments to HKFRSs adopted by the Group

In the current year, the Group has adopted the following amendments to HKFRSs issued by the HKICPA that are first effective and relevant to the Group's financial year beginning on 1 January 2017:

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

Except for that additional disclosure has been included in note 40(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 "Statement of cash flows: Disclosure initiative" which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, the adoption of the amendments to HKFRSs in the current year has had no material impact on the consolidated financial statements for the current or prior years.

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued and relevant to the Group but are not yet effective for the financial year beginning on 1 January 2017:

		Effective for annual periods beginning on or after
Amendments to HKFRSs Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28 "Investments in Associates and Joint Ventures"	1 January 2018
Amendments to HKAS 40	Investment Property "Transfers of Investment Property"	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15	Clarification to HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

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

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, "Financial instruments: Recognition and measurement". HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

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

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

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

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Expected impacts of the new requirements on the Group's financial statements are as follows: (Continued)

(a) Classification and measurement (Continued)

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets related to investments in equity securities that are currently classified as "available-for-sale", the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans to elect this designation option for investments in equity securities held on 1 January 2018 which is consistent with the Group's current accounting policy as set out in note 2.11 to the consolidated financial statements. Hence, this new requirement will not have significant impact to the Group on adoption of HKFRS 9.

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

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Expected impacts of the new requirements on the Group's financial statements are as follows: (Continued)

(b) Impairment

HKFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It will apply to financial assets measured at amortised cost and debt securities measured at FVOCI. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

(c) Hedge accounting

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

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective (Continued)

HKFRS 15 "Revenue from Contracts with Customers" and amendments to HKFRS 15 "Clarification to HKFRS 15"

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

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2.19 to the consolidated financial statements. Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

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

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

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

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

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective (Continued)

HKFRS 15 "Revenue from Contracts with Customers" and amendments to HKFRS 15 "Clarification to HKFRS 15" (Continued)

This new standard is mandatory for financial years commencing on or after 1 January 2018. The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 "Leases"

As disclosed in note 2.21 to the consolidated financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

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

4.2 Impact of new and amendments to HKFRSs and interpretations issued but not yet effective (Continued)

HKFRS 16 "Leases" (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 44 to the consolidated financial statements, as at 31 December 2017, the majority of Group's future minimum lease payments under non-cancellable operating leases are payable either within 1 year, between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group is in the process of making an assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as HKFRS 16 replaces the straightline operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

5. CHANGE IN ACCOUNTING ESTIMATES

Material judgment is required in determining provision for onerous contracts with principal assumptions of shipping market statistics and information. Such assumptions should be determined based on current information available at the end of the reporting period. During the year, the Group has changed the above assumptions based on the latest shipping market statistics and information available for estimating the expected economic benefits to be received from those operating leases with lease terms expiring in the next 12 months based on management's best estimates. As a result of the change in accounting estimates, the operating costs of the Group for the year were reduced by RMB360,969,000, and it is impracticable to estimate the impact for the future periods due to the volatile future freight rates.

6. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment
- oil shipment
- vessel chartering

(ii) others

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

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

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

	2017		2016	
	Revenue	**Contribution**	Revenue (Restated)	Contribution (Restated)
	RMB'000	**RMB'000**	RMB'000	RMB'000
By principal activity:				
Continuing operations				
Oil shipment				
– Oil shipment	**7,257,758**	**1,416,349**	7,423,048	2,079,787
– Vessel chartering	**1,486,470**	**491,844**	2,264,478	741,200
	8,744,228	**1,908,193**	9,687,526	2,820,987
Others	**760,707**	**345,515**	121,363	(71,483)
	9,504,935	**2,253,708**	9,808,889	2,749,504
Discontinued operation				
Dry bulk shipment				
– Coal shipment	**–**	**–**	729,618	(10,058)
– Iron ore shipment	**–**	**–**	1,075,647	234,534
– Other dry bulk shipment	**–**	**–**	390,046	(64,254)
– Vessel chartering	**–**	**–**	666,480	(73,190)
	–	**–**	2,861,791	87,032
	9,504,935	**2,253,708**	12,670,680	2,836,536
Other income and net gains		**842,251**		14,727
Marketing expenses		**(29,206)**		(14,697)
Administrative expenses		**(630,586)**		(707,835)
Other expenses		**(53,781)**		(65,858)
Share of profits of associates		**266,902**		268,099
Share of profits of joint ventures		**151,591**		163,807
Finance costs		**(745,867)**		(874,374)
Elimination of discontinued operation		**–**		(87,032)
Profit before tax		**2,055,012**		1,533,373

6. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2017	2016
		(Restated)
	RMB'000	RMB'000
Total segment assets		
Oil shipment	**42,609,650**	42,157,400
Others	**17,775,081**	16,152,076
	60,384,731	58,309,476
Total segment liabilities		
Oil shipment	**17,605,966**	17,824,265
Others	**14,516,876**	12,897,162
	32,122,842	30,721,427

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

As at 31 December 2017, the total net carrying amount of the Group's oil tankers, liquefied natural gas ("LNG") vessels and liquefied petroleum gas vessels were RMB34,189,840,000 (2016: RMB31,037,488,000), RMB6,007,601,000 (2016: RMB1,616,907,000) and RMB119,179,000 (2016: RMB75,724,000) respectively.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	2017		2016	
	Revenue	**Contribution**	Revenue (Restated)	Contribution (Restated)
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area:				
Continuing operations				
Domestic	**2,889,790**	**1,024,133**	2,743,636	1,145,505
International	**6,615,145**	**1,229,575**	7,065,253	1,603,999
	9,504,935	**2,253,708**	9,808,889	2,749,504
Discontinued operation				
Domestic	**–**	**–**	1,248,307	61,954
International	**–**	**–**	1,613,484	25,078
	–	**–**	2,861,791	87,032
	9,504,935	**2,253,708**	12,670,680	2,836,536
Other income and net gains		**842,251**		14,727
Marketing expenses		**(29,206)**		(14,697)
Administrative expenses		**(630,586)**		(707,835)
Other expenses		**(53,781)**		(65,858)
Share of profits of associates		**266,902**		268,099
Share of profits of joint ventures		**151,591**		163,807
Finance costs		**(745,867)**		(874,374)
Elimination of discontinued operation		**–**		(87,032)
Profit before tax		**2,055,012**		1,533,373

During the years ended 31 December 2017 and 2016, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	Oil shipment RMB'000	Dry bulk shipment (discontinued) RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2017				
Additions to non-current assets	**4,996,828**	**–**	**1,077,408**	**6,074,236**
Depreciation and amortisation	**1,759,632**	**–**	**150,431**	**1,910,063**
Provision for onerous contracts	**98,809**	**–**	**60,794**	**159,603**
Gain/(loss) on disposal of property, plant and equipment, net	**156**	**–**	**(13)**	**143**
Interest income	**28,686**	**–**	**124,005**	**152,691**
Year ended 31 December 2016 (restated)				
Additions to non-current assets	2,468,143	25,299	1,704,313	4,197,755
Depreciation and amortisation	1,668,403	552,828	29,327	2,250,558
Provision for onerous contracts	288,763	9,557	115,557	413,877
Loss on disposal of property, plant and equipment, net	(315,637)	(2,133)	(8)	(317,778)
Interest income	29,469	2,074	56,868	88,411

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2017 and 2016.

Major customers

During the year, management recognised the following 2 (2016: 2) customers as the Group's major customers. Revenue arising from the provision of oil transportation services to the major customers were set out as follows:

	2017 RMB'000	2016 RMB'000
Customer A	**2,167,284**	2,537,047
Customer B	**1,437,019**	1,288,920

7. OTHER INCOME AND NET GAINS

	2017	2016
		(Restated)
	RMB'000	RMB'000
Continuing operations		
Other income		
Government subsidies (note)	472,396	238,753
Interest income from loan receivables	58,688	45,348
Bank interest income	94,003	40,989
Dividends received from available-for-sale investments	7,599	9,640
Rental income from investment properties	19,971	16,085
Others	113,673	43,314
	766,330	394,129
Other gains/(losses)		
Gain on revaluation of investment properties, net	33,219	1,212
Exchange gains/(losses), net	42,559	(72,255)
Fair value gain on step acquisition of a subsidiary	–	6,603
Gain/(loss) on disposal of property, plant and equipment, net	143	(315,645)
Others	–	683
	75,921	(379,402)
	842,251	14,727

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

8. FINANCE COSTS

	2017	2016
		(Restated)
	RMB'000	RMB'000
Continuing operations		
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings (note)	**653,053**	884,662
– corporate bonds	**206,282**	207,350
– interest rate swaps: cash flow hedges, reclassified from equity	**44,553**	–
	903,888	1,092,012
Less: interest capitalised	**(158,021)**	(217,638)
	745,867	874,374

Note: A government subsidy of RMB195,000,000 was credited to interest expenses on bank loans and other loans and borrowings upon received by the Group during the year. There were no unfulfilled conditions or contingencies relating to this subsidy.

During the year, the capitalisation rate applied to funds borrowed and utilised for the vessels under construction was at a rate of 2% to 4.78% (2016: 2.82% to 3.18%) per annum.

9. PROFIT BEFORE TAX

	2017 RMB'000	2016 (Restated) RMB'000
Continuing operations		
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**2,838,957**	2,205,027
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**4,412,270**	4,854,358
	7,251,227	7,059,385
Staff costs (including emoluments of directors, supervisors and management (note 11)):		
Wages, salaries, crew expenses and related expenses	**1,787,670**	1,554,451
Costs paid for defined benefit plan (note 36)	**8,200**	10,630
Pension scheme contributions	**77,765**	70,402
Total staff costs	**1,873,635**	1,635,483
Operating lease rentals: minimum lease payments		
Land and buildings	**27,114**	23,432
Vessels	**580,827**	994,533
Total operating lease rentals	**607,941**	1,017,965
Auditor's remuneration	**4,634**	11,152
Depreciation of property, plant and equipment	**1,907,685**	1,695,351
Amortisation of prepaid land lease payments	**2,378**	2,379
Dry-docking and repairs	**245,921**	270,004
Provision for onerous contracts	**159,603**	404,320
(Reversal of)/provision for impairment losses on trade receivables	**(7,483)**	19,209
(Reversal of)/provision for impairment losses on other receivables	**(3,459)**	25,089

10. INCOME TAX

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

	Note	2017 RMB'000	2016 (Restated) RMB'000
Continuing operations			
Current income tax			
PRC	(i)		
– provision for the year		**102,365**	279,599
– under provision in respect of prior years		**27,778**	26,038
Hong Kong	(ii)		
– provision for the year		**753**	744
– (over)/under provision in respect of prior years		**(34)**	19
Other districts	(iii)		
– provision for the year		**215**	34
		131,077	306,434
Deferred tax		**30,567**	16,613
Total income tax expense		**161,644**	323,047

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (2016: 25%) except for those entities with tax concession.

(ii) Hong Kong Profits Tax

The provision for Hong Kong Profits Tax was provided at 16.5% (2016: 16.5%) on the estimated assessable profits for the year from the entities within the Group operating in Hong Kong.

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

10. INCOME TAX (Continued)

(b) The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2017	2016 (Restated)
	RMB'000	RMB'000
Continuing operations		
Profit before tax	**2,055,012**	1,533,373
Calculated at a tax rate of 25% (2016: 25%)	**513,753**	383,343
Under provision in respect of prior years, net	**27,744**	26,057
Tax effect of share of profits of associates	**(63,751)**	(64,355)
Tax effect of share of profits of joint ventures	**(37,787)**	(40,952)
Tax effect of income not subject to tax	**(84,819)**	(631,725)
Tax effect of expenses not deductible for tax	**8,373**	56,379
Tax effect of unused tax losses not recognised	**27,753**	629,423
Tax effect of temporary differences not recognised	**(108,411)**	67,942
Tax effect of utilisation of tax losses previously not recognised	**(80,460)**	(89,962)
Different tax rates of subsidiaries operating in other jurisdictions	**(40,751)**	(13,103)
Income tax expense	**161,644**	323,047

11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

	2017	2016
	RMB'000	RMB'000
Independent non-executive directors (note 11(a))		
– fees	**1,200**	1,200
Executive and non-executive directors (excluded independent non-executive directors) (note 11(b))		
– salaries, allowances and benefits in kind	**–**	1,096
– discretionary bonus	**–**	873
– pension scheme contributions	**–**	82
	–	2,051
Supervisors (note 11(b))		
– salaries, allowances and benefits in kind	**–**	–
– discretionary bonus	**–**	–
– pension scheme contributions	**–**	–
	–	–
Senior management		
– salaries, allowances and benefits in kind	**5,975**	3,420
– discretionary bonus	**13,916**	2,649
– pension scheme contributions	**571**	289
	20,462	6,358
Total	**21,662**	9,609

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

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

	Note	2017 RMB'000	2016 RMB'000
Mr. Wang Wusheng	(i)	**150**	150
Mr. Ruan Yongping		**150**	150
Mr. Ip Sing Chi		**300**	300
Mr. Rui Meng		**300**	300
Mr. Teo Siong Seng		**300**	300
		1,200	1,200

Note:

(i) Retired on 16 January 2018

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

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

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

	Note	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2017						
Executive directors						
Mr. Huang Xiaowen	(i)	–	–	–	–	–
Mr. Sun Jiakang	(ii)	–	–	–	–	–
Mr. Liu Hanbo		–	–	–	–	–
Mr. Lu Junshan		–	–	–	–	–
		–	–	–	–	–
Non-executive directors						
Mr. Feng Boming		–	–	–	–	–
Mr. Zhang Wei		–	–	–	–	–
Ms. Lin Honghua		–	–	–	–	–
		–	–	–	–	–
Supervisors						
Mr. Chen Jihong		–	–	–	–	–
Mr. Xu Yifei		–	–	–	–	–
Ms. An Zhijuan		–	–	–	–	–
Mr. Weng Yi		–	–	–	–	–
		–	–	–	–	–

Note:

(i) Appointed on 10 October 2017

(ii) Resigned on 10 October 2017

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

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

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

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

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

	Note	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2016						
Supervisors						
Mr. Chen Jihong		–	–	–	–	–
Mr. Xu Yifei	(vii)	–	–	–	–	–
Ms. An Zhijuan	(vii)	–	–	–	–	–
Mr. Weng Yi	(ii)	–	–	–	–	–
Mr. Luo Yuming	(viii)	–	–	–	–	–
Ms. Chen Xiuling	(viii)	–	–	–	–	–
Mr. Xu Wenrong	(v)	–	–	–	–	–
		–	–	–	–	–

Note:

(i) Appointed on 20 May 2016

(ii) Appointed on 19 September 2016

(iii) Resigned on 3 June 2016

(iv) Resigned on 8 March 2016

(v) Resigned on 19 September 2016

(vi) Resigned on 22 August 2016

(vii) Appointed on 20 July 2016

(viii) Resigned on 20 July 2016

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

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included no (2016: two) directors and no (2016: no) supervisor, details of whose emoluments are set out in note 11 to the consolidated financial statements. Details of the emoluments of the five (2016: remaining three) highest paid non-director and non-supervisor individuals for the year were as follows:

	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,474**	1,503
Discretionary bonus	**7,380**	1,078
Pension scheme contributions	**248**	125
	10,102	2,706

The emoluments of the five (2016: three) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals	
	2017	2016
RMBnil to RMB867,272 (2016: RMB855,659) (equivalent to HKD1,000,000)	**–**	1
RMB867,273 to RMB1,300,908 (2016: RMB855,660 to RMB1,283,489) (equivalent to HKD1,000,001 to HKD1,500,000)	**–**	2
RMB1,734,545 to RMB2,168,180 (2016: RMB1,711,319 to RMB2,139,148) (equivalent to HKD2,000,001 to HKD2,500,000)	**3**	–
RMB2,168,181 to RMB2,601,816 (2016: RMB2,139,149 to RMB2,566,977) (equivalent to HKD2,500,001 to HKD3,000,000)	**2**	–

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

13. OTHER COMPREHENSIVE (EXPENSE)/INCOME

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

	Before-tax amount RMB'000	Tax effect RMB'000	Net-of-tax amount RMB'000
Year ended 31 December 2017			
Remeasurement of defined benefit plan payable	**5,670**	**–**	**5,670**
Exchange realignment	**(455,439)**	**–**	**(455,439)**
Fair value gain on available-for-sale investments	**116,068**	**(29,017)**	**87,051**
Net loss on cash flow hedges	**(16,600)**	**–**	**(16,600)**
Reclassification adjustments for amounts transferred to profit or loss	**44,553**	**–**	**44,553**
Share of other comprehensive expense of associates	**(8,476)**	**–**	**(8,476)**
Share of other comprehensive expense of joint ventures	**(91,988)**	**–**	**(91,988)**
	(406,212)	**(29,017)**	**(435,229)**
Year ended 31 December 2016 (restated)			
Remeasurement of defined benefit plan payable	(160)	–	(160)
Exchange realignment	443,949	–	443,949
Fair value loss on available-for-sale investments	(5,984)	1,496	(4,488)
Net loss on cash flow hedges	(30,641)	–	(30,641)
Release upon disposal of discontinued operation	362,032	–	362,032
Share of other comprehensive expense of associates	(23,590)	–	(23,590)
Share of other comprehensive income of joint ventures	71,113	–	71,113
	816,719	1,496	818,215

14. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised and paid as distribution during the year:		
Final dividend for 2016 – RMB0.19 (2016: Final dividend for 2015 – RMB0.10) per share	**766,086**	403,203

Final dividend of RMB0.19 per share in respect of the year ended 31 December 2016 was approved by independent shareholders at the annual general meeting held on 8 June 2017 and a total amount of RMB766,086,000 was paid during the year.

14. DIVIDENDS (Continued)

At the Board meeting held on 28 March 2018, the Directors proposed a final dividend of RMB201,602,000, representing RMB0.05 per share, in respect of the year ended 31 December 2017. This proposed final dividend is subject to the approval of the Company's independent shareholders at the forthcoming annual general meeting on a date to be fixed, and has not been recognised as a liability at the end of the reporting period.

15. EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB1,774,647,000 (2016: RMB1,932,524,000) and the weighted average number of ordinary shares of 4,032,033 thousand (2016: 4,032,033 thousand) shares in issue during the year.

(b) From continuing operations

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

	2017	2016
		(Restated)
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**1,774,647**	1,932,524
Less: profit for the year from discontinued operation attributable to owners of the Company	**–**	742,523
Profit for the year from continuing operations attributable to owners of the Company	**1,774,647**	1,190,001

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations (see note 15(a)).

16. INVESTMENT PROPERTIES

As at 31 December 2017 and 2016, the Group's properties are leased to other parties under operating leases to earn rental income and are measured using the fair value model. As a result, these properties are classified and accounted for as investment properties. Movements of the investment properties during the year are set out below:

	2017 RMB'000	2016 RMB'000
At 1 January	**1,104,907**	1,097,975
Transfer from property, plant and equipment	**–**	5,720
Transfer to property, plant and equipment	**(1,500)**	–
Net gain on revaluation recognised in profit or loss	**33,219**	1,212
At 31 December	**1,136,626**	1,104,907

The fair value of the investment properties as at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by China Tong Cheng, 遼寧恆信 and 遼寧永順. The fair value of these investment properties was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of these investment properties, the highest and best use of these investment properties is their current use. There has been no change from the valuation technique used in prior years.

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

As at 31 December 2017 and 2016, the fair value of these investment properties is based on Level 2 fair value hierarchy as defined under HKFRS 13 "Fair Value Measurement" which details are set out in note 47(d) to the consolidated financial statements.

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2017							
Cost or valuation							
At 1 January 2017 (restated)	15,350	43,245,906	111,513	32,145	664,767	8,917,825	52,987,506
Additions	–	88,758	2,903	1,302	665	5,980,608	6,074,236
Transfer in/(out)	–	10,555,410	–	–	–	(10,555,410)	–
Transfer from investment properties	–	–	–	–	1,500	–	1,500
Disposals	–	–	(907)	(1,377)	(270)	–	(2,554)
Exchange realignment	(171)	(1,478,874)	(160)	(96)	–	(351,174)	(1,830,475)
At 31 December 2017	15,179	52,411,200	113,349	31,974	666,662	3,991,849	57,230,213
Accumulated depreciation							
At 1 January 2017 (restated)	13,994	10,515,787	91,676	21,263	84,037	–	10,726,757
Charge for the year	583	1,871,003	9,927	2,452	23,720	–	1,907,685
Disposals	–	–	(829)	(1,328)	(246)	–	(2,403)
Exchange realignment	(111)	(292,210)	(152)	(34)	–	–	(292,507)
At 31 December 2017	14,466	12,094,580	100,622	22,353	107,511	–	12,339,532
Net carrying amount							
At 31 December 2017	713	40,316,620	12,727	9,621	559,151	3,991,849	44,890,681
At 31 December 2016 (restated)	1,356	32,730,119	19,837	10,882	580,730	8,917,825	42,260,749

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2016							
Cost or valuation							
At 1 January 2016 (restated)	62,896	68,784,917	148,759	47,667	611,200	7,607,086	77,262,525
Additions	2,627	39,295	4,598	2,847	261	4,148,127	4,197,755
Additions upon acquisition of a subsidiary	–	387,355	98	466	60,680	–	448,599
Transfer in/(out)	–	3,312,777	–	–	–	(3,312,777)	–
Transfer to investment properties	–	–	–	–	(7,374)	–	(7,374)
Disposals	(4,569)	(711,917)	(3,997)	(6,047)	–	–	(726,530)
Disposal of discontinued operation	(45,886)	(30,002,769)	(38,199)	(12,878)	–	(60,427)	(30,160,159)
Exchange realignment	282	1,436,248	254	90	–	535,816	1,972,690
At 31 December 2016 (restated)	15,350	43,245,906	111,513	32,145	664,767	8,917,825	52,987,506
Accumulated depreciation							
At 1 January 2016 (restated)	54,195	13,438,670	105,728	28,742	61,401	–	13,688,736
Charge for the year	4,440	2,194,286	20,341	4,822	24,290	–	2,248,179
Transfer to investment properties	–	–	–	–	(1,654)	–	(1,654)
Disposals	(1,608)	(342,361)	(3,368)	(5,672)	–	–	(353,009)
Disposal of discontinued operation	(43,125)	(5,079,430)	(31,152)	(6,682)	–	–	(5,160,389)
Exchange realignment	92	304,622	127	53	–	–	304,894
At 31 December 2016 (restated)	13,994	10,515,787	91,676	21,263	84,037	–	10,726,757
Net carrying amount							
At 31 December 2016 (restated)	1,356	32,730,119	19,837	10,882	580,730	8,917,825	42,260,749
At 31 December 2015 (restated)	8,701	55,346,247	43,031	18,925	549,799	7,607,086	63,573,789

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2017, the Group's certain vessels are leased to other parties under operating leases. Further details of the vessels under operating lease arrangements are as follows:

	2017	2016
		(Restated)
	RMB'000	RMB'000
Cost or valuation	**13,464,102**	13,550,618
Accumulated depreciation	**(1,391,937)**	(2,632,386)
Net carrying amount	**12,072,165**	10,918,232

Further details of the Group's operating lease arrangements are disclosed in note 44(a) to the consolidated financial statements.

As at 31 December 2017, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see note 33).

18. PREPAID LAND LEASE PAYMENTS

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

	2017	2016
	RMB'000	RMB'000
At 1 January	**79,599**	81,978
Amortisation for the year	**(2,378)**	(2,379)
At 31 December	**77,221**	79,599

19. GOODWILL

	RMB'000
Cost	
At 1 January 2016	–
Arising upon acquisition of a subsidiary	58,168
At 31 December 2016, 1 January and 31 December 2017	**58,168**
Accumulated impairment losses	
At 1 January 2016, 31 December 2016, 1 January and 31 December 2017	–
Carrying amount	
At 31 December 2017	**58,168**
At 31 December 2016	58,168

There was one cash generating unit ("CGU") in the year related to oil transportation and vessel chartering services. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of 4 years approved by management, cash flows beyond the 4-year period are extrapolated using nil growth rate, and a discount rate of 10.54% (2016: 10.45%). The growth rate for the extrapolation period is based on management's best estimates with consideration of both internal and external factors relating to the CGU. The stable budgeted gross margin used in the value in use calculations is determined based on the CGU's past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed its recoverable amount.

20. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	**1,382,626**	1,159,797
Goodwill	**835,105**	835,105
	2,217,731	1,994,902

As at 31 December 2017, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activities
			2017	2016	**2017**	2016	
Shanghai Beihai Shipping Company Limited ("Shanghai Beihai")	The PRC Limited liability company	RMB763,750,000	**40%**	40%	**40%**	40%	Petroleum product transportation and vessel chartering
China Shipping Finance Co., Ltd. ("CS Finance")	The PRC Limited liability company	RMB1,200,000,000 (2016: RMB600,000,000)	**25%**	25%	**25%**	25%	Banking and related financial services
Aquarius LNG Shipping Limited ("Aquarius LNG")	Hong Kong Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering
Aries LNG Shipping Limited ("Aries LNG")	Hong Kong Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Capricorn LNG Shipping Limited ("Capricorn LNG")	Hong Kong Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Gemini LNG Shipping Limited ("Gemini LNG")	Hong Kong Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering

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

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	Shanghai Beihai	
	2017	2016
	RMB'000	RMB'000
At 31 December		
Non-current assets	**1,861,961**	1,809,415
Current assets	**739,973**	725,724
Non-current liabilities	**(83,273)**	(689)
Current liabilities	**(169,806)**	(196,182)
Net assets	**2,348,855**	2,338,268
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**939,542**	935,307
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,774,647**	1,770,412
Year ended 31 December		
Revenue	**1,254,554**	1,280,925
Profit for the year	**454,431**	545,969
Other comprehensive (expense)/income	**(1,188)**	2,066
Total comprehensive income for the year	**453,243**	548,035
Dividends received from the associate	**180,000**	200,000

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

	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**443,084**	224,490
Aggregate amounts of the Group's share of:		
Profit for the year	**85,130**	67,401
Other comprehensive expense	**(8,001)**	(24,416)
Total comprehensive income for the year	**77,129**	42,985

21. INVESTMENTS IN JOINT VENTURES

	2017 RMB'000	2016 (Restated) RMB'000
Share of net assets	**1,739,398**	1,527,957
Goodwill	**477,105**	477,105
	2,216,503	2,005,062

As at 31 December 2017, the Group had investments in the following joint ventures which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Indirect proportion of ownership interest, voting power and profit sharing attributable to the Group 2017	2016	Principal activities
China LNG Shipping (Holdings) Limited ("CLNG")	Hong Kong Limited liability company	USD421,384,828 (2016: USD335,339,434)	**50%**	50%	Investment holding
Sino-Ocean Shipping Co., Ltd.	The PRC Limited liability company	RMB238,772,000	**50%**	50%	Oil transportation and vessel chartering
Offshore Oil (Yangpu) Shipping Co., Ltd. ("Yangpu Shipping")	The PRC Limited liability company	RMB20,000,000	**43%#**	43%#	Oil transportation and vessel chartering
Arctic Blue LNG Shipping Limited	Hong Kong Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Green LNG Shipping Limited	Hong Kong Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Purple LNG Shipping Limited	Hong Kong Limited liability company	USD1,000	**50%**	50%	Vessel holding

The Group holds 43% of the issued share capital of Yangpu Shipping and controlled 43% of vote in the general meeting of Yangpu Shipping. Since Yangpu Shipping is jointly controlled by the Group and another significant shareholder by virtue of contractual arrangements among shareholders, Yangpu Shipping is regarded as a joint venture of the Group.

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

21. INVESTMENTS IN JOINT VENTURES (Continued)

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

	CLNG	
	2017	2016
	RMB'000	RMB'000
At 31 December		
Non-current assets	**7,307,837**	7,592,056
Current assets	**753,732**	913,328
Non-current liabilities	**(3,745,173)**	(4,277,389)
Current liabilities	**(504,318)**	(804,347)
Net assets	**3,812,078**	3,423,648
Non-controlling interests	**(835,318)**	(863,677)
	2,976,760	2,559,971
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets	**1,488,380**	1,279,986
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint venture	**1,965,485**	1,757,091
Cash and cash equivalents included in current assets	**419,599**	529,813
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**283,849**	275,019
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**3,745,173**	4,277,389
Year ended 31 December		
Revenue	**1,073,256**	1,040,917
Profit for the year	**382,853**	369,027
Other comprehensive income	**14,534**	529
Total comprehensive income for the year	**397,387**	369,556
Dividends received from the joint venture	**100,360**	87,109
Included in the above profit for the year:		
Depreciation and amortisation	**232,595**	227,789
Interest income	**430**	481
Interest expense	**92,976**	102,910
Income tax expense	**187**	213

21. INVESTMENTS IN JOINT VENTURES (Continued)

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

	2017	2016
		(Restated)
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**251,018**	247,971
Aggregate amounts of the Group's share of:		
Profit/(loss) for the year	**42,051**	(21,982)
Other comprehensive expense	**(26)**	(2,840)
Total comprehensive income/(expense) for the year	**42,025**	(24,822)

22. LOAN RECEIVABLES

	Note	**2017**	2016
		RMB'000	RMB'000
Loans to associates	(i)	**408,733**	457,153
Loans to joint ventures	(ii)	**1,711,033**	1,015,331
		2,119,766	1,472,484
Less: current portion		**(27,077)**	(18,899)
Non-current portion		**2,092,689**	1,453,585

Note:

(i) As at 31 December 2017, loans to associates are unsecured, interest-bearing at approximately 4.41% to 5.40% over 3-month London Inter-bank Offered Rate ("Libor") (2016: approximately 3.30% to 6% over 3-month Libor) per annum and repayable in 2030 and 2031.

(ii) As at 31 December 2017 and 2016, loans to joint ventures are unsecured, interest-bearing at 3-month Libor plus 0.80% per annum prior to delivery of vessels and at 3-month Libor plus 1.30% per annum after delivery of vessels and repayable within 20 years after the joint ventures' vessels construction projects are completed.

As at 31 December 2017 and 2016, all loan receivables are denominated in USD.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	RMB'000
Listed equity investments in the PRC, at fair value	**303,612**	187,542
Unlisted equity investments, at cost	**92,105**	129,543
Less: impairment losses	**–**	(37,324)
	92,105	92,219
	395,717	279,761

The fair values of the listed equity investments are based on current bid prices. All the unlisted equity investments are stated at cost as the Directors are of the opinion that the unlisted equity investments do not have a quoted market price in an active market and their fair values cannot be measured reliably.

During the year, the Group has disposed of an unlisted equity investment to a fellow subsidiary at a consideration of RMB1. The cost of this investment was amounted to RMB37,324,000 with full impairment losses made in prior years and as a result, a gain on disposal of available-for-sale investments of RMB1 was recognised in profit or loss and included in other income and net gains.

As at 31 December 2017, available-for-sale investments of RMB1,621,000 (2016: RMB1,734,000) are denominated in USD.

24. DEFERRED TAX ASSETS AND LIABILITIES

(a) Components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses RMB'000	Provision for assets impairment RMB'000	Depreciation RMB'000	Revaluation of assets arising from business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	432,331	48,871	7	835	4,949	486,993
Arising from acquisition of a subsidiary	–	–	–	52,571	–	52,571
Disposal of discontinued operation	(530,034)	(48,494)	–	(835)	–	(579,363)
Credit/(charge) to profit or loss	97,703	(377)	(7)	(313)	(4,949)	92,057
At 31 December 2016 and 1 January 2017	**–**	**–**	**–**	**52,258**	**–**	**52,258**
Charge to profit or loss	**–**	**–**	**–**	**(2,352)**	**–**	**(2,352)**
At 31 December 2017	**–**	**–**	**–**	**49,906**	**–**	**49,906**

24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

(b) Components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties RMB'000	Fair value change on available-for-sale investments RMB'000	Depreciation RMB'000	Unremitted earnings RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	166,402	–	74,571	4,413	–	245,386
Arising from acquisition of a subsidiary	–	41,060	–	–	–	41,060
Charge/(credit) to profit or loss	4,167	–	(5,327)	7,243	4,884	10,967
Credit to other comprehensive income	–	(1,496)	–	–	–	(1,496)
At 31 December 2016 and 1 January 2017	**170,569**	**39,564**	**69,244**	**11,656**	**4,884**	**295,917**
Charge/(credit) to profit or loss	**11,517**	**–**	**(4,586)**	**21,436**	**(152)**	**28,215**
Charge to other comprehensive income	**–**	**29,017**	**–**	**–**	**–**	**29,017**
At 31 December 2017	**182,086**	**68,581**	**64,658**	**33,092**	**4,732**	**353,149**

(c) An analysis of the deferred tax balances for the consolidated statement of financial position are disclosed as follows:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**49,906**	52,258
Deferred tax liabilities	**(353,149)**	(295,917)
	(303,243)	(243,659)

As at 31 December 2017, a deferred tax asset in respect of tax losses of RMB3,503,435,000 (2016: RMB4,346,838,000) has not been recognised in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB3,442,387,000 (2016: RMB4,308,391,000) that will expire within five years. Other losses may be carried forward indefinitely.

25. INVENTORIES

	2017	2016
		(Restated)
	RMB'000	RMB'000
Bunker oil inventories	**426,814**	267,954
Ship stores and spare parts	**229,406**	189,030
	656,220	456,984

26. TRADE AND BILLS RECEIVABLES

	2017	2016
		(Restated)
	RMB'000	RMB'000
Trade and bills receivables from third parties	**962,966**	1,232,407
Trade receivables from joint ventures	**–**	122
Trade receivables from fellow subsidiaries	**5,383**	6,117
Trade receivables from related companies (note)	**750**	–
	969,099	1,238,646
Less: allowance for doubtful debts (note 26(b))	**(14,730)**	(22,499)
	954,369	1,216,147

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

Trade receivables from joint ventures, fellow subsidiaries and related companies are unsecured, non-interest-bearing and under normal credit period as other trade receivables.

As at 31 December 2017, trade and bills receivables of RMB513,039,000 (2016: RMB608,832,000) are denominated in USD.

26. TRADE AND BILLS RECEIVABLES (Continued)

(a) Ageing analysis

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

	2017	2016 (Restated)
	RMB'000	RMB'000
Within 3 months	758,917	918,710
4 – 6 months	83,273	104,940
7 – 9 months	43,543	102,566
10 – 12 months	27,575	28,127
1 – 2 years	41,061	60,995
Over 2 years	–	809
	954,369	1,216,147

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

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment losses is written off against trade and bills receivables directly.

The movement of the allowance for doubtful debts during the year is as follows:

	2017	2016 (Restated)
	RMB'000	RMB'000
At 1 January	22,499	3,094
Impairment losses (reversed)/recognised	(7,483)	19,209
Exchange realignment	(286)	196
At 31 December	14,730	22,499

As at 31 December 2017, trade receivables of RMB14,730,000 (2016: RMB22,499,000) were determined to be impaired as management assessed that only a portion of the receivables is expected to be recovered.

26. TRADE AND BILLS RECEIVABLES (Continued)

(c) Trade and bills receivables that are not impaired

In determining the recoverability of a trade and bills receivable, the Group considers any change in credit quality of the trade and bills receivable from the date credit was initially granted up to the end of the reporting period. In view of the good settlement history of those receivables of the Group which are past due but not impaired for the year ended 31 December 2017, the Directors consider that no allowance is required.

As at 31 December 2017, receivables that were neither past due nor impaired amounted to RMB776,559,000 (2016: RMB959,922,000) relate to a wide range of customers for whom there was no recent history of default.

The ageing of trade and bills receivables which are past due but not impaired is as follows:

	2017	2016
		(Restated)
	RMB'000	RMB'000
Within 6 months	**110,774**	166,294
7 – 12 months	**63,712**	28,127
Over 1 year	**3,324**	61,804
	177,810	256,225

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered to be fully recoverable. The Group does not hold any collateral over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
		(Restated)
	RMB'000	RMB'000
Prepayments	**106,810**	303,699
Deposits and other receivables	**248,789**	346,499
Due from fellow subsidiaries	**142,115**	130,837
Due from associates	**13,204**	–
Due from joint ventures	**82,945**	163,887
Due from related companies (note)	**21,173**	–
	615,036	944,922
Less: impairment of other receivables (note 27(a))	**(21,503)**	(25,670)
	593,533	919,252

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

The amounts due from fellow subsidiaries, associates, joint ventures and related companies are unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2017, financial assets included in prepayments, deposits and other receivables of RMB93,285,000 (2016: RMB129,234,000) are denominated in USD.

(a) Impairment of other receivables

As at 31 December 2017, the Group's net other receivables of RMB198,218,000 (2016: RMB300,599,000) were considered fully collectible by the Directors. The movement of the impairment of other receivables during the year is as follows:

	2017	2016
		(Restated)
	RMB'000	RMB'000
At 1 January	**25,670**	57
Impairment losses (reversed)/recognised	**(3,459)**	25,089
Exchange realignment	**(708)**	524
At 31 December	**21,503**	25,670

28. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Note	**2017** **RMB'000**	2016 (Restated) RMB'000
Pledged bank deposits	(i)	**100**	24,134
Balances placed with CS Finance		**2,843,338**	3,726,701
Balances placed with COSCO Finance Co., Ltd. ("COSCO Finance")	(ii)	**718,020**	1,035,964
Unpledged bank balances and cash		**1,446,296**	1,622,404
Cash and cash equivalents		**5,007,654**	6,385,069
Total bank deposits and cash and cash equivalents		**5,007,754**	6,409,203

Note:

(i) Pledged bank deposits were held as security for general banking facilities granted by banks to the Group (see note 33) and other bank guarantees.

(ii) COSCO Finance is a fellow subsidiary of the Company.

As at 31 December 2017, cash and cash equivalents of RMB1,332,183,000 (2016: RMB2,373,934,000) are denominated in USD.

29. TRADE AND BILLS PAYABLES

	2017	2016
		(Restated)
	RMB'000	RMB'000
Trade and bills payables to third parties	685,852	757,063
Trade payables to immediate holding company	1,985	1,374
Trade payables to fellow subsidiaries	301,427	595,360
Trade payables to an associate	3,267	–
Trade payables to related companies (note)	54,030	–
	1,046,561	1,353,797

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

Trade payables due to immediate holding company, fellow subsidiaries, an associate and related companies are unsecured, non-interest-bearing and under normal credit period as other trade payables.

As at 31 December 2017, trade and bills payables of RMB563,810,000 (2016: RMB811,530,000) are denominated in USD.

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

	2017	2016
		(Restated)
	RMB'000	RMB'000
Within 3 months	626,597	1,042,369
4 – 6 months	75,940	58,469
7 – 9 months	73,324	35,738
10 – 12 months	60,941	3,835
1 – 2 years	15,995	19,877
Over 2 years	193,764	193,509
	1,046,561	1,353,797

Trade and bills payables are non-interest-bearing and are normally settled in 1 to 3 months.

30. OTHER PAYABLES AND ACCRUALS

	2017	2016
		(Restated)
	RMB'000	RMB'000
Other payables	502,819	638,772
Accruals	244,160	171,069
Due to ultimate holding company	373	–
Due to immediate holding company	1,100	–
Due to fellow subsidiaries	49,905	386,212
Due to an associate	1	4
Due to a joint venture	10	2,108
	798,368	1,198,165

The amounts due to ultimate holding company, immediate holding company, fellow subsidiaries, an associate and a joint venture are unsecured, non-interest-bearing and repayable on demand.

Other payables and accruals are non-interest-bearing and are normally settled in 1 to 3 months.

As at 31 December 2017, financial liabilities included in other payables and accruals of RMB130,604,000 (2016: RMB149,666,000) are denominated in USD.

31. PROVISION AND OTHER LIABILITIES

	2017 RMB'000	2016 RMB'000
Provision for onerous contracts	**54,621**	495,338
Others	**15,318**	15,281
	69,939	510,619
Less: current portion	**(54,621)**	(302,551)
Non-current portion	**15,318**	208,068

Details of provision for onerous contracts are as follows:

	RMB'000
At 1 January 2017	**495,338**
Provision for the year	**159,603**
Utilised during the year	**(225,368)**
Reversal of provision (note)	**(350,553)**
Exchange realignment	**(24,399)**
At 31 December 2017	**54,621**
Less: current portion	**(54,621)**
Non-current portion	**–**

Note: Reversal of provision was credited to operating costs arising from change in accounting estimates (see note 5).

Onerous contracts relate to operating lease contracts for certain vessels chartered by the Group from other parties where the unavoidable costs of meeting the obligations under the lease agreements exceed the economic benefits expected to be received from them for the next 12 months.

32. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2017, the Group had interest rate swap agreements with total notional principal amount of approximately USD554,364,000 (equivalent to RMB3,622,325,000) (2016: approximately USD537,040,000 (equivalent to RMB3,725,448,000)) which will be matured in 2031 and 2033 (2016: 2031 and 2032). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the year, the floating interest rates of the bank borrowings were 3-month Libor plus 2.20% (2016: 3-month Libor plus 0.42%, 0.65% or 2.20%).

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) As at 31 December 2017, details of the interest-bearing bank and other borrowings are as follows:

	Annual effective interest rate (%)	Maturity	**2017** **RMB'000**	2016 (Restated) RMB'000
Current liabilities				
(i) Bank borrowings				
Secured	20% discount to the People's Bank of China ("PBC") Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38%, 3-month Libor + 1.15% to 2.20%, 6-month Libor + 0.42% to 1.40%, fixed rate of 4.27% to 4.80%	2018	**1,216,509**	1,119,250
Unsecured	PBC Benchmark interest rate, Libor + 0.70% to 1.40%, 3-month Libor + 0.70% to 2.10%, 6-month Libor + 0.70%	2018	**4,289,599**	3,475,198
			5,506,108	4,594,448
(ii) Other borrowings				
Unsecured	10% discount to the PBC Benchmark interest rate, fixed rate of 3.60%	2018	**1,372,410**	30,185
Interest-bearing bank and other borrowings – current portion			**6,878,518**	4,624,633

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

(a) As at 31 December 2017, details of the interest-bearing bank and other borrowings are as follows: (Continued)

		Annual effective interest rate (%)	Maturity	2017 RMB'000	2016 (Restated) RMB'000
Non-current liabilities					
(i)	**Bank borrowings**				
	Secured	20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate, Libor + 0.38%, 3-month Libor + 1.15% to 2.20%, 6-month Libor + 0.42% to 1.40%, fixed rate of 4.27% to 4.80%	2019 to 2033	**14,068,254**	11,531,962
	Unsecured	PBC Benchmark interest rate, Libor + 1.70%, 3-month Libor + 0.80% to 1.75%, 6-month Libor + 0.70%	2019 to 2026	**2,995,123**	5,149,582
				17,063,377	16,681,544
(ii)	**Other borrowings**				
	Unsecured	10% discount to the PBC Benchmark interest rate	2025	**208,850**	271,665
Interest-bearing bank and other borrowings – non-current portion				**17,272,227**	16,953,209

As at 31 December 2017, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 39 (2016: 25) vessels and 4 (2016: 5) vessels under construction with total net carrying amount of RMB19,998,023,000 (2016: RMB11,367,817,000) and RMB3,216,511,000 (2016: RMB6,568,108,000) respectively.

As at 31 December 2017, secured bank borrowings of RMB15,085,062,000 (2016: RMB12,479,811,000) and unsecured bank borrowings of RMB6,704,422,000 (2016: RMB7,342,329,000) are denominated in USD.

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

(b) As at 31 December 2017, the interest-bearing bank and other borrowings were repayable as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
At 31 December 2017			
Current portion			
Within one year	**5,506,108**	**1,372,410**	**6,878,518**
Non-current portion			
In the second year	**2,653,655**	**33,000**	**2,686,655**
In the third to fifth years, inclusive	**5,038,545**	**99,000**	**5,137,545**
Over five years	**9,371,177**	**76,850**	**9,448,027**
	17,063,377	**208,850**	**17,272,227**
	22,569,485	**1,581,260**	**24,150,745**
At 31 December 2016 (restated)			
Current portion			
Within one year	4,594,448	30,185	4,624,633
Non-current portion			
In the second year	4,142,620	41,060	4,183,680
In the third to fifth years, inclusive	4,617,626	123,180	4,740,806
Over five years	7,921,298	107,425	8,028,723
	16,681,544	271,665	16,953,209
	21,275,992	301,850	21,577,842

As at 31 December 2017, included in the current portion of other borrowings represent an amount of RMB1,000,000,000 (2016: RMBnil) and RMB339,410,000 (2016: RMBnil) which was borrowed from the Company's immediate holding company and ultimate holding company respectively.

34. OTHER LOANS

	Note	2017 RMB'000	2016 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	**763,151**	701,194
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	**363,259**	330,764
Petrochina International Co., Limited ("Petrochina International")	(iii)	**16,058**	20,113
		1,142,468	1,052,071
Less: current portion		**(73,615)**	(2,251)
Non-current portion		**1,068,853**	1,049,820

Note:

(i) As at 31 December 2017, other loans amounted to RMB51,163,000 (2016: RMB52,896,000) was borrowed by East China LNG Shipping Investment Co., Limited ("ELNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the associates held by ELNG. As at 31 December 2017, the loan is unsecured, interest-bearing at approximately 5.24% to 5.40% over 3-month Libor (2016: approximately 3.30% to 6% over 3-month Libor) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2017, other loans amounted to RMB711,988,000 (2016: RMB648,298,000) was borrowed by China Energy Shipping Investment Co., Limited ("China Energy"), an indirect and non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. As at 31 December 2017, the loan is unsecured, interest-bearing at a weighted average of 3-month Libor plus 2.20% and fixed rate of 4.80% (2016: 3-month Libor plus 2.20%) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

(ii) As at 31 December 2017, other loans was borrowed by the subsidiaries of China Energy from their non-controlling shareholder, MOL, to finance certain vessels construction projects being carried out by them. As at 31 December 2017, the loans are unsecured, interest-bearing at a weighted average of 3-month Libor plus 2.20% and fixed rate of 4.80% (2016: 3-month Libor plus 2.20%) per annum and repayable within 15 years after the aforementioned vessels construction projects are completed.

(iii) As at 31 December 2017, other loans was borrowed by North China LNG Shipping Investment Co., Limited ("NLNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Petrochina International, to finance certain vessels construction projects being carried out by the associates held by NLNG. As at 31 December 2017, the loan is unsecured, interest-bearing at approximately 4.41% to 4.70% over 3-month Libor (2016: approximately 5.10% to 5.50% over 3-month Libor) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2017 and 2016, all other loans are denominated in USD.

35. BONDS PAYABLE

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

	2017 RMB'000	2016 RMB'000
At 1 January	**3,982,045**	3,978,488
Interest charge	**3,732**	3,557
At 31 December	**3,985,777**	3,982,045

Details of the balances of corporate bonds are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond at initial recognition RMB'000	At 31 December 2016 RMB'000	Interest charge RMB'000	At 31 December 2017 RMB'000
3 August 2012	10 years	1,500,000	1,487,100	1,492,018	1,272	**1,493,290**
29 October 2012	7 years	1,500,000	1,488,600	1,494,916	1,720	**1,496,636**
29 October 2012	10 years	1,000,000	992,400	995,111	740	**995,851**
		4,000,000	3,968,100	3,982,045	3,732	**3,985,777**

The Company issued two batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 4.20% and was repaid on 3 August 2015. The second batch is a ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued further two batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually. The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

36. EMPLOYEE BENEFITS PAYABLE

	2017 RMB'000	2016 RMB'000
Defined benefit plan payable	**140,250**	150,630
Termination benefit payable	**2,130**	2,880
	142,380	153,510
Less: current portion	**(12,080)**	(12,620)
Non-current portion	**130,300**	140,890

(a) Details of defined benefit plan payable are as follows:

Defined benefit plan payable represents post-employment benefit plan for current civil retirees and current retirees which are measured by using actuarial valuation method. Independent actuarial valuation has been carried by Willis Towers Watson, an independent firm with chartered actuarial certification.

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Present value of unfunded obligations	**140,250**	150,630
Less: current portion	**(11,370)**	(11,500)
Non-current portion	**128,880**	139,130

Current portion of defined benefit plan payable represents the amount expected to be paid by the Group in the next 12 months. Such expected future payments will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

36. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows: (Continued)

(ii) Movements in the present value of the defined benefit plan payable are as follows:

	2017	2016
	RMB'000	RMB'000
At 1 January	**150,630**	153,400
Remeasurement for the year	**(5,670)**	160
Benefits paid	**(12,910)**	(13,560)
Past service cost	**3,490**	6,250
Interest cost	**4,710**	4,380
At 31 December	**140,250**	150,630

The weighted average duration of the defined benefit plan is 9.7 (2016: 10.2) years.

(iii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017	2016
	RMB'000	RMB'000
Past service cost	**3,490**	6,250
Net interest on net defined benefit liability	**4,710**	4,380
Total amounts recognised in profit or loss	**8,200**	10,630
Actuarial (gain)/loss recognised in other comprehensive income	**(5,670)**	160
Total defined benefit costs	**2,530**	10,790

The past service cost and the net interest on net defined benefit liability totalling RMB8,200,000 (2016: RMB10,630,000) were recognised in the administrative expenses for the year.

36. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows: (Continued)

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2017	2016
Discount rate	**4%**	3.25%
Average annual increase rate of supplemental medical benefits	**5%**	5%

Mortality rate adopted for the defined benefit plan payable as at 31 December 2017 was based on the China Life Insurance Mortality Table 2010-2013 issued by the China Life Insurance Regulatory Commission of the PRC.

The below analysis shows how the defined benefit plan payable would have increased/(decreased) as a result of 0.5% change of discount rate in the significant actuarial assumptions:

	Effect of payable	
	2017	2016
	RMB'000	RMB'000
Increase in 0.5%	**(6,510)**	(7,330)
Decrease in 0.5%	**7,080**	8,000

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

36. EMPLOYEE BENEFITS PAYABLE (Continued)

(b) Details of termination benefit payable are as follows:

	2017 RMB'000	2016 RMB'000
Termination benefit payable	**2,130**	2,880
Less: current portion	**(710)**	(1,120)
Non-current portion	**1,420**	1,760

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retired Employees").

The Group recognises a liability for the present value of the obligations relating to the termination benefit payable to these Early Retired Employees. The liability related to the termination benefit payable for the Early Retired Employees existing as at 31 December 2017 and 2016 are calculated by management using future cash flow discounting method.

During the year, related costs paid by the Group for the termination benefit payable was RMB1,150,000 (2016: RMB2,390,000).

37. ISSUED CAPITAL

	2017		2016	
	Number of shares (thousand)	Nominal value RMB'000	Number of shares (thousand)	Nominal value RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1 each	**1,296,000**	**1,296,000**	1,296,000	1,296,000
Listed A-Shares of RMB1 each	**2,736,033**	**2,736,033**	2,736,033	2,736,033
At 1 January and 31 December	**4,032,033**	**4,032,033**	4,032,033	4,032,033

38. RESERVES

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out as follows:

	Share premium RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	7,750,215	270,254	(1,796)	2,877,435	93,158	1,019	11,169,027	22,159,312
Loss for the year	–	–	–	–	–	–	(2,392,608)	(2,392,608)
Dividends approved in respect of previous year	–	–	–	–	–	–	(403,203)	(403,203)
At 31 December 2016 and 1 January 2017	**7,750,215**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**1,019**	**8,373,216**	**19,363,501**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,301,398**	**1,301,398**
Dividends approved in respect of previous year	**–**	**–**	**–**	**–**	**–**	**–**	**(766,086)**	**(766,086)**
At 31 December 2017	**7,750,215**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**1,019**	**8,908,528**	**19,898,813**

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("PRC GAAP") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2017, before the proposed final dividend, the Company had reserve of RMB8,908,528,000 (2016: RMB8,373,216,000).

In addition, in accordance with the Company Law of the PRC, an amount of RMB7,750,215,000 (2016: RMB7,750,215,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

38. RESERVES (Continued)

(c) Nature and purposes of reserves

(i) Share premium

Share premium arised from the issuance of shares at prices in excess of their par value.

(ii) Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

(iii) Capital reserve

The reserve arised from the acquisition of additional interests in a subsidiary and revaluation of assets arising from capital restructuring of a subsidiary.

(iv) Merger reserve

The reserve arised from business combination involving entities under common control in June 2016.

(v) Statutory surplus reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must be before distribution of a dividend to shareholders.

38. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(vi) Safety fund reserve

According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the year. When its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

(vii) General surplus reserve

When the public welfare fund is utilised, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

(viii) Hedging reserve

Changes in the fair values of derivative financial instruments and hedged items are to be charged directly and transferred to hedging reserve.

(ix) Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period.

(x) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(xi) Other reserve

The reserve arised from the acquisition of subsidiary under common control in April 2009.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investment properties	**1,288,913**	1,227,749
Property, plant and equipment	**245,609**	66,285
Investments in subsidiaries	**16,296,746**	16,123,374
Investment in an associate	**300,000**	150,000
Investment in a joint venture	**–**	229,198
Loan receivables	**5,565,342**	7,000,000
	23,696,610	24,796,606
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,770,324**	2,724,351
Current portion of loan receivables	**3,000,000**	–
Cash and cash equivalents	**2,357,964**	2,648,016
	8,128,288	5,372,367
CURRENT LIABILITIES		
Other payables and accruals	**2,376,052**	2,617,918
Current portion of interest-bearing bank and other borrowings	**1,339,410**	–
Tax payable	**139**	–
	3,715,601	2,617,918
NET CURRENT ASSETS	**4,412,687**	2,754,449
TOTAL ASSETS LESS CURRENT LIABILITIES	**28,109,297**	27,551,055
EQUITY		
Issued capital	**4,032,033**	4,032,033
Reserves	**19,898,813**	19,363,501
TOTAL EQUITY	**23,930,846**	23,395,534
NON-CURRENT LIABILITIES		
Bonds payable	**3,985,777**	3,982,045
Deferred tax liabilities	**192,674**	173,476
	4,178,451	4,155,521
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**28,109,297**	27,551,055

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before tax to net cash generated from operating activities is as follows:

	2017	2016
		(Restated)
	RMB'000	RMB'000
Profit before tax		
– from continuing operations	**2,055,012**	1,533,373
– from discontinued operation	**–**	666,615
Adjustments for:		
Finance costs	**745,867**	1,028,336
Interest income	**(152,691)**	(88,411)
Gain on revaluation of investment properties, net	**(33,219)**	(1,212)
(Gain)/loss on disposal of property, plant and equipment, net	**(143)**	317,778
Gain on disposal of discontinued operation	**–**	(966,852)
Dividends received from available-for-sale investments	**(7,599)**	(9,640)
(Reversal of)/provision for impairment losses on trade receivables	**(7,483)**	19,209
(Reversal of)/provision for impairment losses on other receivables	**(3,459)**	25,089
Depreciation of property, plant and equipment	**1,907,685**	2,248,179
Amortisation of prepaid land lease payments	**2,378**	2,379
Provision for onerous contracts	**159,603**	413,877
Share of profits of associates	**(266,902)**	(285,789)
Share of profits of joint ventures	**(151,591)**	(85,865)
Fair value gain on step acquisition of a subsidiary	**–**	(6,603)

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Reconciliation from profit before tax to net cash generated from operating activities is as follows: (Continued)

	2017 RMB'000	2016 (Restated) RMB'000
Operating profit before working capital changes	**4,247,458**	4,810,463
Increase in inventories	**(199,236)**	(31,154)
Decrease/(increase) in trade and bills receivables	**269,547**	(72,192)
Decrease/(increase) in prepayments	**196,889**	(9,817)
Decrease/(increase) in deposits and other receivables	**9,803**	(9,975,562)
Increase in amounts due from associates	**(13,204)**	–
Decrease/(increase) in amounts due from joint ventures	**80,942**	(94,321)
(Increase)/decrease in amounts due from fellow subsidiaries	**(11,278)**	82,934
(Increase)/decrease in amounts due from related companies	**(21,173)**	16,997
Increase in trade and bills payables	**67,932**	356,635
(Decrease)/increase in other payables	**(76,301)**	17,227,365
Increase in accruals	**73,091**	63,380
Increase in amount due to ultimate holding company	**373**	–
Increase/(decrease) in amount due to immediate holding company	**1,100**	(80,816)
(Decrease)/increase in amount due to an associate	**(3)**	4
(Decrease)/increase in amounts due to joint ventures	**(2,098)**	1,685
(Decrease)/increase in amounts due to fellow subsidiaries	**(336,307)**	371,932
Decrease in amounts due to related companies	**–**	(185)
Decrease in provision and other liabilities	**(575,884)**	(209,121)
Decrease in employee benefits payable	**(5,460)**	(5,160)
Cash generated from operations	**3,706,191**	12,453,067
Income tax paid	**(253,197)**	(332,772)
Net cash generated from operating activities	**3,452,994**	12,120,295

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities:

	Derivative financial instruments (note 32) RMB'000	Interest-bearing bank and other borrowings (note 33) RMB'000	Other loans (note 34) RMB'000	Bonds payable (note 35) RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2017 (restated)	474,988	21,577,842	1,052,071	3,982,045	27,086,946
Changes from financing cash flows:					
Interest paid	(42,281)	(659,393)	–	(202,550)	(904,224)
Subsidy received from government	–	195,000	–	–	195,000
Increase in interest-bearing bank and other borrowings	–	8,761,102	–	–	8,761,102
Repayment of interest-bearing bank and other borrowings	–	(5,021,311)	–	–	(5,021,311)
Increase in other loans	–	–	111,340	–	111,340
Repayment of other loans	–	–	(6,212)	–	(6,212)
	(42,281)	3,275,398	105,128	(202,550)	3,135,695
Other changes:					
Interest expenses	–	601,523	51,530	206,282	859,335
Accrued interest expenses recorded in other payables and accruals	–	(42,749)	–	–	(42,749)
Net change in fair value	16,600	–	–	–	16,600
Exchange realignment	(26,732)	(1,261,269)	(66,261)	–	(1,354,262)
	(10,132)	(702,495)	(14,731)	206,282	(521,076)
At 31 December 2017	422,575	24,150,745	1,142,468	3,985,777	29,701,565

41. BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

On 22 February 2017, the Company acquired 80% equity interest in USA Tanker by way of capital contribution of RMB2,195,000. The principal activity of USA Tanker is provision of agency services.

Since 1 July 2017, the Company recognised Huahai Petrol as its subsidiary as it considered that it has control over operating and financial policies of this entity. The principal activities of Huahai Petrol are provision of petroleum product transportation and vessel chartering.

The financial statements of USA Tanker and Huahai Petrol are consolidated by the Group as the Group has control over operating and financial policies of these entities.

As mentioned in note 2.2(a) to the consolidated financial statements, the Group has applied merger accounting as prescribed in Accounting Guideline 5 to account for the business combination involving entities under common control. Accordingly, USA Tanker and Huahai Petrol have been combined since 1 January 2016, the earliest financial period presented, as if the acquisition had occurred at that time.

41. BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2017 and 2016 and 1 January 2016 are as follows:

	The Group excluding USA Tanker and Huahai Petrol RMB'000	USA Tanker RMB'000	Huahai Petrol RMB'000	Adjustment RMB'000	Consolidated RMB'000
At 31 December 2017					
Non-current assets					
Investment in subsidiaries	30,635	–	–	(30,635)	–
Other non-current assets	52,760,639	105	374,498	–	53,135,242
	52,791,274	105	374,498	(30,635)	53,135,242
Current assets					
Other current assets	2,224,167	404	18,154	(890)	2,241,835
Cash and cash equivalents	4,975,678	3,762	28,214	–	5,007,654
	7,199,845	4,166	46,368	(890)	7,249,489
Current liabilities					
Other current liabilities	8,819,395	1,516	54,622	(890)	8,874,643
Net current (liabilities)/assets	(1,619,550)	2,650	(8,254)	–	(1,625,154)
Total assets less current liabilities	51,171,724	2,755	366,244	(30,635)	51,510,088
Equity					
Equity attributable to owners of the Company					
Issued capital	4,032,033	2,815	56,879	(59,694)	4,032,033
Reserves	23,749,237	(60)	276,665	(138,235)	23,887,607
	27,781,270	2,755	333,544	(197,929)	27,919,640
Non-controlling interests	174,926	–	–	167,323	342,249
Total equity	27,956,196	2,755	333,544	(30,606)	28,261,889
Non-current liabilities					
Other non-current liabilities	23,215,528	–	32,700	(29)	23,248,199
Total equity and non-current liabilities	51,171,724	2,755	366,244	(30,635)	51,510,088

41. BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2017 and 2016 and 1 January 2016 are as follows: (Continued)

	The Group excluding USA Tanker and Huahai Petrol	USA Tanker	Huahai Petrol	Adjustment	Consolidated (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016					
Non-current assets					
Other non-current assets	49,047,361	139	405,877	(164,386)	49,288,991
Current assets					
Other current assets	2,609,877	596	25,800	(857)	2,635,416
Cash and cash equivalents	6,364,583	1,208	19,278	–	6,385,069
	8,974,460	1,804	45,078	(857)	9,020,485
Current liabilities					
Other current liabilities	7,565,202	1,362	50,783	(857)	7,616,490
Net current assets/(liabilities)	1,409,258	442	(5,705)	–	1,403,995
Total assets less current liabilities	50,456,619	581	400,172	(164,386)	50,692,986
Equity					
Equity attributable to owners of the Company					
Issued capital	4,032,033	415	56,879	(57,294)	4,032,033
Reserves	23,381,056	166	271,893	(272,059)	23,381,056
	27,413,089	581	328,772	(329,353)	27,413,089
Non-controlling interests	9,993	–	–	164,967	174,960
Total equity	27,423,082	581	328,772	(164,386)	27,588,049
Non-current liabilities					
Other non-current liabilities	23,033,537	–	71,400	–	23,104,937
Total equity and non-current liabilities	50,456,619	581	400,172	(164,386)	50,692,986

41. BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2017 and 2016 and 1 January 2016 are as follows: (Continued)

	The Group excluding USA Tanker and Huahai Petrol	USA Tanker	Huahai Petrol	Adjustment	Consolidated (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016					
Non-current assets					
Other non-current assets	75,277,342	–	436,804	(160,277)	75,553,869
Current assets					
Other current assets	5,439,210	–	53,935	(875)	5,492,270
Cash and cash equivalents	4,863,247	3,000	13,062	–	4,879,309
	10,302,457	3,000	66,997	(875)	10,371,579
Current liabilities					
Other current liabilities	14,089,050	2,496	74,749	(875)	14,165,420
Net current (liabilities)/assets	(3,786,593)	504	(7,752)	–	(3,793,841)
Total assets less current liabilities	71,490,749	504	429,052	(160,277)	71,760,028
Equity					
Equity attributable to owners of the Company					
Issued capital	4,032,033	415	56,879	(57,294)	4,032,033
Reserves	27,675,185	89	263,673	(263,762)	27,675,185
	31,707,218	504	320,552	(321,056)	31,707,218
Non-controlling interests	862,874	–	–	160,779	1,023,653
Total equity	32,570,092	504	320,552	(160,277)	32,730,871
Non-current liabilities					
Other non-current liabilities	38,920,657	–	108,500	–	39,029,157
Total equity and non-current liabilities	71,490,749	504	429,052	(160,277)	71,760,028

41. BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL (Continued)

(i) The reconciliation of the effect arising from the business combination involving entities under common control on the consolidated statements of financial position as at 31 December 2017 and 2016 and 1 January 2016 are as follows: (Continued)

The above adjustments represent adjustments to eliminate the paid-up capital of USA Tanker and Huahai Petrol against the Group's investment cost in USA Tanker and Huahai Petrol and non-controlling interests arising from the acquisition of USA Tanker and consolidation of Huahai Petrol, current accounts between the Group and USA Tanker and Huahai Petrol as at 31 December 2017 and 2016 and 1 January 2016 respectively and adjustments to achieve consistency of accounting policies.

(ii) The effect of the business combination involving entities under common control, described above, on the Group's basic and diluted earnings per share for the year ended 31 December 2016 is as follows:

	Impact on basic and diluted earnings per share RMB cents
As previously reported	47.97
Restatement arising from business combination involving entities under common control	(0.04)
Restated	47.93

(iii) The effect of business combination involving entities under common control, described above, on the Group's profit for the year in respect of the year ended 31 December 2016 is as follows:

	RMB'000
As previously reported	1,966,675
Restatement arising from business combination involving entities under common control	4,152
Restated	1,970,827

42. PENSION AND ENTERPRISE ANNUITY SCHEMES

(a) The PRC (other than Hong Kong)

(i) Pension scheme

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 19% to 20% (2016: 19% to 20%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the year amounted to RMB77,473,000 (2016: RMB78,885,000).

(ii) Enterprise annuity scheme

In 2008, the representatives of the Group's Labour Union and the Board resolved to approve and adopt an enterprise annuity scheme. Pursuant to the annuity scheme the employer's contributions will be 5% of the total staff costs of the previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme is effective as on 1 January 2008. Under the scheme, actual amount incurred as labour costs for the year amounted to RMB22,459,000 (2016: RMB16,164,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the Directors, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(b) Hong Kong

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year amounted to RMB292,000 (2016: RMB594,000).

43. CONTINGENT LIABILITIES

(i) Aquarius LNG and Gemini LNG, and Capricorn LNG and Aries LNG are associates of ELNG and NLNG (the "4 Associates") respectively. Each associate entered into a ship building contract for one LNG vessel. After the completion of each LNG vessel, the 4 Associates would, in accordance with time charters agreements to be signed, lease their LNG vessels to the following charterers respectively:

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

On 15 July 2011, the Company entered into 4 guaranteed leases (the "Lease Guarantees"). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the 4 Associates with guarantee (1) for the 4 Associates to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the 4 Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB53,580,000). The guarantee period is limited to 20 years which represented the lease period of each LNG vessel leased by the 4 Associates.

(ii) At the 2014 seventh Board meeting held on 30 June 2014, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by 3 joint ventures of the Group for the Yamal LNG project (the "3 Joint Ventures"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD490,000,000 (equivalent to RMB3,201,758,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. which the total aggregate liability of the Company under these guarantees is limited to USD6,400,000 (equivalent to RMB41,819,000).

43. CONTINGENT LIABILITIES (Continued)

(iii) Subsequent to the approval by independent shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “Banks”), to the extent of amount of USD377.5 million (equivalent to RMB2,466,661,000), in respect of 50% of the bank borrowings provided by the Banks to each of the 3 Joint Ventures and was determined on a pro rata basis of the Company’s indirect ownership interest in each of the 3 Joint Ventures. The guarantee period provided by the Company for each of the 3 Joint Ventures is limited to 12 years after the vessel construction project of each of the 3 Joint Ventures is completed.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial period of 1 to 20 (2016: 1 to 20) years.

As at 31 December 2017, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB’000	RMB’000
Within one year	**1,290,351**	1,433,392
In the second to fifth years, inclusive	**3,730,954**	1,018,668
Over five years	**12,452,506**	3,322,649
	17,473,811	5,774,709

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels and buildings. The leases are negotiated for an initial period of 1 to 15 (2016: 1 to 15) years.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
		(Restated)
	RMB’000	RMB’000
Within one year	**659,043**	772,210
In the second to fifth years, inclusive	**1,940,591**	2,186,410
Over five years	**1,661,768**	2,402,489
	4,261,402	5,361,109

45. CAPITAL COMMITMENTS

	Note	2017 RMB'000	2016 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**9,563,431**	8,891,396
Project investments	(ii)	**487,255**	655,930
		10,050,686	9,547,326

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2018 to 2021.

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

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB298,709,000 (2016: RMB121,969,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,430,809,000 (2016: RMB2,267,070,000).

46. RELATED PARTY TRANSACTIONS

Transactions entered into the ordinary course of business between the Group and China Shipping and its subsidiaries other than the Group (together "China Shipping Group"), fellow subsidiaries other than subsidiaries of China Shipping, associates and joint ventures of the Group as well as other related parties for the year, which are also considered by the Directors as related party transactions, are as follows:

(1) In September 2015, the Company entered into a new services agreement with China Shipping which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 28 December 2015. Pursuant to the new services agreement, China Shipping Group and its joint ventures will continue to provide the Group with similar materials and services provided for in the services agreement entered into in October 2012 (which related to provide necessary supporting shipping materials and services for the ongoing operations of the transportation business including dry-docking and repair services, supply of lubricating oil, fresh water, raw materials, bunker oil as well as other services for the ongoing operations for all vessels owned or bareboat chartered by the Group) for a further 3 years commencing from 1 January 2016 to 31 December 2018.

The fees for the agreed supplies and services will be determined by reference to the prevailing market price of the agreed supplies and services and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting shipping material or service at the time in the PRC or overseas (as the case may be) and the price charged to independent third parties by China Shipping in the most recent transaction of a similar nature.

46. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

Further details of the principal amounts paid by the Group to China Shipping Group and its joint ventures in respect of the services agreement for the year are set out below:

	2017 Total value RMB'000	2016 Total value (Restated) RMB'000
Supply of lubricating oil, fresh water, raw materials, bunker oil, mechanical and electrical engineering, supporting shipping materials and repairs and maintenance services for vessels and life boats	**1,294,387**	1,115,222
Oil removal treatment, maintenance, telecommunication and navigational services	**22,085**	92,259
Dry-docking, repairs, special coating and technical improvements of vessels	**56,904**	32,789
Management services of sea crew	**632,933**	909,306
Accommodation, lodging, medical services and transportation for employees	**–**	–
Agency commissions	**37,911**	60,201
Services fees on sale and purchase of vessels, accessories and other equipment	**–**	–
Miscellaneous management services	**3,075**	12,140

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

46. RELATED PARTY TRANSACTIONS (Continued)

(2) On 28 April 2016, COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("Dalian Tanker"), a wholly-owned subsidiary of the Company, entered into a materials and services framework agreement with COSCO Shipping which became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. Pursuant to the materials and services framework agreement, COSCO Shipping and its subsidiaries other than the Group (together "COSCO Shipping Group") agreed to provide the necessary supporting shipping materials and services (the "Agreed Supplies and Services I") to Dalian Tanker and its subsidiaries (together "Dalian Tanker Group") and also Dalian Tanker Group agreed to provide the necessary supporting shipping materials and services (the "Agreed Supplies and Services II") to COSCO Shipping Group. The materials and services framework agreement was effective for a term of 3 years commencing from 1 January 2016 to 31 December 2018. The prices for both the Agreed Supplies and Services I provided by COSCO Shipping Group to Dalian Tanker Group and the Agreed Supplies and Services II provided by Dalian Tanker Group to COSCO Shipping Group will be determined by reference to the prevailing market price and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting material or service at the time in the PRC or overseas (as the case may be) and the price charged to independent third parties by COSCO Shipping Group or Dalian Tanker Group (as the case may be) in the most recent transaction of a similar nature.

Further details of the principal amounts paid by Dalian Tanker Group to COSCO Shipping Group in respect of the Agreed Supplies and Services I for the year are set out below:

	2017 Total value RMB'000	2016 Total value (Restated) RMB'000
Supply of materials and fuels, mainly including fresh water, bunker oil and spare parts	**843,155**	727,048
Telecommunication and navigational services	**3,165**	19
Dry docking, repairs, special coating, technical improvements of vessels	**11,801**	9,518
Vessels and shipping agency	**8,276**	28,130
Service on sale and purchase of vessels, accessories and other equipment	**–**	–
Other miscellaneous management services	**2,565**	–

46. RELATED PARTY TRANSACTIONS (Continued)

(2) (Continued)

Further details of the principal amounts received by Dalian Tanker Group from COSCO Shipping Group in respect of the Agreed Supplies and Services II for the year are set out below:

	2017 Total value	2016 Total value (Restated)
	RMB'000	RMB'000
Supply of shipping materials	**15,237**	8,977
Telecommunication and navigational services	**–**	343
Management services of sea crew	**–**	–
Accommodation, lodging, medical services and transportation for employees	**–**	–

There are certain overlapping supplies and services between the Agreed Supplies and Services I and the Agreed Supplies and Services II (mainly including the supply of shipping materials and provision of telecommunication and navigational services). It is mainly because when the vessel from one group is at a place where it is not able or not economical to receive such supplies or services from its own group due to geographic limitation, it may purchase such supplies or services from another group according to actual circumstances. Such arrangement can benefit both groups to reduce their operational costs and achieving synergy.

46. RELATED PARTY TRANSACTIONS (Continued)

(3) In addition to the related party transactions outlined in notes 46(1) to 46(2) above, details of the Group's related party transactions with China Shipping Group, COSCO Shipping Group, associates and joint ventures of the Group and other related companies for the year are as follows:

	Note	2017 RMB'000	2016 RMB'000
Shipment income		**11,051**	34,070
Vessel chartering income		**109,847**	157,297
Vessel chartering charges		**–**	144,941
Construction of vessels		**810,113**	603,066
Vessel management income		**1,321**	2,083
Vessel management expenses		**50,435**	35,504
Technical services income		**–**	1,430
Rental income, including business tax and surcharge	(i)	**26,943**	23,888
Rental expenses	(i)	**18,252**	11,561
Interest income from associates		**27,362**	28,095
Interest income from joint ventures		**31,326**	8,229
Interest income from fellow subsidiaries		**–**	9,539
Loan interest payment	(ii)	**22,713**	175,722
Insurance payment	(iii)	**38,322**	–

Note:

The Group has entered into the following agreements:

(i) On 29 March 2016, the Company entered into a property lease framework agreement with China Shipping, whereby the Group will continue to provide China Shipping Group and its associates (which associates has the meaning as defined thereto under the Listing Rules) with property and land use right leasing services as well as receive such services from China Shipping Group and its associates. The property lease framework agreement was effective for a term of 3 years commencing from 1 January 2016 to 31 December 2018. Both parties may renew the property lease framework agreement on terms and conditions agreed upon by both parties within 3 months before the expiration of the property lease framework agreement. The rental income received from and rental expenses paid to China Shipping Group and its associates were determined with reference to the prevailing market price.

Other remaining rental income and expenses represented number of transactions during the year.

46. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note: (Continued)

The Group has entered into the following agreements: (Continued)

(ii) On 8 August 2011, the Company entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of RMB3,000,000,000 to the Company. The entrusted loan has a term of 7 years commencing from 9 August 2011 to 8 August 2018. The interest rate of the entrusted loan is at fixed rate of 6.51% per annum. CS Finance will also charge an administrative fee of RMB300,000 per annum. A supplementary agreement was signed on 20 March 2015 and pursuant to the supplementary agreement, the interest rate of the entrusted loan was revised from fixed rate of 6.51% to 6.15% per annum. The loan was early repaid during the year ended in 2016.

On 30 June 2014, China Shipping Development (Hong Kong) Marine Co., Limited ("CSDHK"), a wholly-owned subsidiary of the Company, entered into an entrusted loan agreement with China Shipping and CS Finance whereby China Shipping entrusted CS Finance to provide a loan in the amount of USD100,000,000 to CSDHK. The entrusted loan has a term of 3 years and the interest rate of the entrusted loan is at 6-month Libor plus 2.50% per annum. The loan was early repaid in 2016.

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

(iii) On 28 June 2017, the Company entered into an insurance services framework agreement (the "Insurance Services Framework Agreement") with COSCO SHIPPING Capital Insurance Co., Ltd. ("COSCO SHIPPING Insurance"), a wholly-owned subsidiary of COSCO Shipping. Pursuant to Insurance Services Framework Agreement, COSCO SHIPPING Insurance will provide vessel-related insurance services (included hull insurance and insurance for voyage policy) to the Group. The Insurance Services Framework Agreement was effective from 1 July 2017 to 31 December 2018 and it may be renewed within 3 months before its expiry in accordance with the terms agreed by the parties.

The Company and its subsidiaries may enter into separate insurance agreements with COSCO SHIPPING Insurance in respect of a particular insurance service. The scope of insurance under the separate insurance agreements shall fulfill the reasonable requirements of the Group, and will set out in detail the terms regarding the payment of insurance fees. During the term of the Insurance Services Framework Agreement, the Company and its subsidiaries and COSCO SHIPPING Insurance may adjust the insurance fees with reference to the fair market price in accordance with the separate insurance agreements. The separate insurance agreements will comply with the terms of the Insurance Services Framework Agreement.

(iv) During the year, the Group has disposed of an unlisted equity investment to a fellow subsidiary at a consideration of RMB1.

46. RELATED PARTY TRANSACTIONS (Continued)

(4) In September 2015, the Company entered into a new financial services framework agreement with CS Finance which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting on held on 28 December 2015. Pursuant to the new financial services framework agreement, CS Finance will continue to provide the Group with similar services provided for in the financial services framework agreement entered into in October 2012 (which related to a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) foreign exchange services; and (v) other financial services as approved by China Banking Regulatory Commission) for a further 3 years commencing from 1 January 2016 to 31 December 2018. The new financial services framework agreement will be automatically renewed for another 3 years commencing from 1 January 2019 to 31 December 2021 unless either party chooses not to renew the new financial services framework agreement.

(5) On 28 April 2016, Dalian Tanker entered into a financial services framework agreement with COSCO Finance, which became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. Pursuant to the financial services framework agreement, COSCO Finance will provide Dalian Tanker Group with a range of financial services including (i) deposit services; (ii) loan and financing lease services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by China Banking Regulatory Commission. The financial services framework agreement was effective for a term of 3 years commencing from 1 January 2016 to 31 December 2018.

(6) Outstanding balances with related parties

Details of the Group's current account and loan balances with its related parties as at the end of the reporting period are disclosed in notes 22, 26, 27, 28, 29, 30 and 33 to the consolidated financial statements.

(7) Details of the emoluments of key management personnel, including directors, supervisors and senior management, are included in note 11 to the consolidated financial statements.

The related party transactions as disclosed in paragraphs (1) to (5), also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Main Board Listing Rules.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, derivative financial instruments and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into interest rate swap transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management regularly manages the financial risks of the Group. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign currency risk

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

As at 31 December 2017, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB6,729,000 higher/lower (2016: RMB8,951,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2017 and 2016.

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

As at 31 December 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB111,606,000 (2016: RMB150,967,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

(iii) Price risk

As at 31 December 2017, the Group's certain available-for-sale investments amounted to RMB303,612,000 (2016: RMB187,542,000) as disclosed in note 23 to the consolidated financial statements are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. Since the amounts of such investments are insignificant to the Group, the Directors are of opinion that the Group is not exposed to any significant equity security price risk as at 31 December 2017 and 2016. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stakeholding decisions.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and impairment of other receivables as set out in notes 26 and 27 to the consolidated financial statements.

As at 31 December 2017, trade and bills receivables due from the top five debtors amounted to RMB214,479,000 (2016: RMB401,980,000), representing 22% (2016: 33%) of the total trade and bills receivables.

As at 31 December 2017 and 2016, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and several non-bank financial institutions which are related parties of the Group. In view of strong state support provided to those government-related financial institutions, the Directors are of the opinion that there is no significant credit risk on such assets being exposed.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities.

The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities (net settled and gross settled derivative financial instruments) into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

		Contractual undiscounted cash flows			
	Carrying amount RMB'000	Total RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000
At 31 December 2017					
Trade and bills payables	**1,046,561**	**1,046,561**	**1,046,561**	**–**	**–**
Financial liabilities included in other payables and accruals (excluding interest payable)	**640,804**	**640,804**	**640,804**	**–**	**–**
Interest payable in relation to borrowings and bonds	**144,531**	**144,531**	**144,531**	**–**	**–**
Derivative financial instruments	**422,575**	**422,575**	**–**	**–**	**422,575**
Interest-bearing bank and other borrowings	**24,150,745**	**27,819,798**	**7,802,073**	**3,391,023**	**16,626,702**
Other loans	**1,142,468**	**1,715,519**	**116,362**	**109,546**	**1,489,611**
Bonds payable	**3,985,777**	**4,785,500**	**202,550**	**1,702,550**	**2,880,400**
	31,533,461	**36,575,288**	**9,952,881**	**5,203,119**	**21,419,288**
At 31 December 2016 (restated)					
Trade and bills payables	1,353,797	1,353,797	1,353,797	–	–
Financial liabilities included in other payables and accruals (excluding interest payable)	877,493	877,493	877,493	–	–
Interest payable in relation to borrowings and bonds	101,782	101,782	101,782	–	–
Derivative financial instruments	474,988	474,988	–	–	474,988
Interest-bearing bank and other borrowings	21,577,842	24,136,546	5,274,090	4,718,148	14,144,308
Other loans	1,052,071	1,448,767	6,616	286,853	1,155,298
Bonds payable	3,982,045	4,988,050	202,550	202,550	4,582,950
	29,420,018	33,381,423	7,816,328	5,207,551	20,357,544

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Financial assets:				
Available-for-sale investments				
– Listed equity investments	**303,612**	**–**	**–**	**303,612**
Financial liabilities:				
Derivative financial instruments	**–**	**422,575**	**–**	**422,575**
At 31 December 2016				
Financial assets:				
Available-for-sale investments				
– Listed equity investments	187,542	–	–	187,542
Financial liabilities:				
Derivative financial instruments	–	474,988	–	474,988

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

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

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the listed equity investments are based on the current bid price.

The fair value of interest rate swap agreements as derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016.

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans and bonds payable less cash and cash equivalents.

The Group's net debt-to-equity ratio as at 31 December 2017 is as follows:

	2017	2016
		(Restated)
	RMB'000	RMB'000
Total debts	**29,278,990**	26,611,958
Less: cash and cash equivalents	**(5,007,654)**	(6,385,069)
Net debt	**24,271,336**	20,226,889
Total equity	**28,261,889**	27,588,049
Net debt-to-equity ratio	**86%**	73%

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2017, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Issued/ registered capital	Class of shares In issue	Proportion of ownership interest held by the Company Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Principal activities
COSCO SHIPPING Tanker (Shanghai) Co., Ltd.	The PRC Limited liability company	RMB1,666,666,600	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
Dalian Tanker	The PRC Limited liability company	RMB6,378,152,557	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
Shenzhen Sanding Oil-Shipping Co., Ltd.	The PRC Limited liability company	RMB299,020,000	Ordinary	**51%**	51%	**-**	-	Oil transportation and vessel chartering
COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd.	The PRC Limited liability company	RMB100,000,000	Ordinary	**100%**	100%	**-**	-	Investment holding
Huahai Petrol (note i)	The PRC Limited liability company	RMB56,879,168	Ordinary	**50%#**	50%#	**-**	-	Oil transportation and vessel chartering
CSDHK	Hong Kong Limited liability company	USD100,000,000	Ordinary	**100%**	100%	**-**	-	Investment holding
ELNG	Hong Kong Limited liability company	USD5,000,000	Ordinary	**70%**	70%	**-**	-	Investment holding
NLNG	Hong Kong Limited liability company	USD5,000,000	Ordinary	**90%**	90%	**-**	-	Investment holding
COSCO SHIPPING Tanker (Singapore) Pte. Ltd.	Singapore Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
USA Tanker (note ii)	The United States of America Limited liability company	USD400,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services
China Energy	Hong Kong Limited liability company	USD5,000,000	Ordinary	**-**	-	**51%**	51%	Investment holding

\# By virtue of dominant voting interest from the Company, the Company concluded that it has control over the operating, financing and investing activities of the subsidiary and the subsidiary has been consolidated into the Group.

Note:

(i) The subsidiary was consolidated into the Group due to business combination involving entities under common control during the year (see note 41).

(ii) The subsidiary was acquired from business combination involving entities under common control during the year (see note 41).

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Directors considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

50. EVENTS AFTER THE REPORTING PERIOD

On 6 March 2018, a capital injection agreement and a supplemental agreement ("Capital Injection Agreements") were entered into by PetroChina Company Limited ("PetroChina"), Dalian PetroChina Shipping Limited ("PetroChina Dalian"), a wholly-owned subsidiary of PetroChina prior to the entering of the Capital Injection Agreements, and the Company. Pursuant to the Capital Injection Agreements, the Company shall inject a sum of RMB396,551,000 into PetroChina Dalian by cash as registered capital and capital reserve of PetroChina Dalian. Upon completion of the capital injection, the Company and PetroChina will hold 51% and 49% equity interest in PetroChina Dalian respectively. PetroChina Dalian will therefore become a subsidiary of the Company.

51. COMPARATIVE FIGURES

Certain comparative figures have been re-presented as a result of the application of merger accounting due to the business combination involving entities under common control.

CORPORATE INFORMATION

Legal name:	中遠海運能源運輸股份有限公司
English name:	COSCO SHIPPING Energy Transportation Co., Ltd.*
Registered address:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Business address:	18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, The People's Republic of China
Postal Code:	200120
Tel:	(8621) 65967678
Fax:	(8621) 65966160
Place of business in Hong Kong:	20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
Legal representative:	Mr. Huang Xiaowen
Secretary of the Board:	Ms. Li Zhuoqiong
Company secretary:	Ms. Yao Qiaohong
Unified Social Credit Code:	91310000132212734C
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
Hong Kong auditor:	Baker Tilly Hong Kong Limited 2th Floor, 625 King's Road North Point, Hong Kong

* For identification purpose only

PRC auditor:	Baker Tilly China Certified Public Accountants LLP No. 19, Chegongzhuang West Road Yi, Haidian Distric, Beijing, the PRC
Legal advisors:	Grandall Law Firm (Shanghai Office) 23-25th floor, Garden Square 968 West Beijing Road, Shanghai, The People's Republic of China
	Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138
	A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Office of the Board of Directors COSCO SHIPPING Energy Transportation Co., Ltd. 18th Floor, 118 Yuanshen Road, Pudong New District, Shanghai, The People's Republic of China
Company's website:	www.coscoshippingenergy.com

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Huang Xiaowen

Mr. Huang Xiaowen, born in May 1962 and aged 57, is a senior engineer. He is currently the executive director and the chairman of the Company and the Strategy Committee of the Board. He is also an Executive Vice President and Party Committee Member of China COSCO Shipping Corporation Limited, the vice chairman and an executive director of COSCO SHIPPING Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601919) and the Hong Kong Stock Exchange (stock code: 1919)) and the chairman and non-executive director of COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange (stock code: 1199)). Mr. Huang started his shipping career in July 1981, and was the Manager of Container Shipping Section of Guangzhou Ocean Shipping Company, Deputy General Manager and General Manager of Container Transportation Department of China Ocean Shipping Company, Container Business Adviser to Shanghai Haixing Shipping Company, Deputy Managing Director, Managing Director and the vice party secretary, vice chairman and executive director of COSCO SHIPPING Development Co., Ltd. (previously known as China Shipping Container Lines Co Ltd.) (a company listed on the Hong Kong Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)) and the chairman of China Shipping Haisheng Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600896)). He was appointed as Executive Vice President of China Shipping Group Company Limited in May 2012. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School in September 2010, majored in Business Administration, and obtained the EMBA Degree. Mr. Huang was an executive director of the Company from May 2013 to September 2016 and is an executive Director of the Company since October 2017.

Liu Hanbo

Mr. Liu Hanbo, born in November 1959 and aged 58, holds a master's degree in engineering and is a senior economist. He is currently the executive director, a member of Strategy Committee and the general manager of the Company. Mr. Liu has served as the deputy general manager of COSCO Dalian Industries Company, the deputy director of the Development Department and the head of Operation and Management Department of Dalian Ocean Shipping Company Limited, the general manager of COSCO Dalian Industries Development Company, the deputy general manager of the Development Department, the general manager of the Development Department and director of Assets Operation Center of China Ocean Shipping (Group) Company, the vice president of COSCO (Hong Kong) Group Limited, the general manager of COSCO (H.K.) Industries and Trade Holdings Ltd., the general manager of COSCO International Holdings Ltd., the deputy general manager of Dalian Ocean Shipping Company Limited, the president of China Ocean Shipping Company Americas, Inc., the general manager of China COSCO Bulk Shipping (Group) Co., Ltd., and the general manager of COSCO SHIPPING Bulk Co., Ltd. Mr Liu joined the Company in August 2016.

Lu Junshan

Mr. Lu Junshan, born in January 1959 and aged 59, has a graduate education background and holds a Master's Degree in Laws. He is also a senior political engineer. He is currently an executive director, a member of Strategy Committee and a deputy general manager of the Company. Mr. Lu was formerly the ship's second engineer, and the deputy section chief of President's Office of Shanghai Ocean Shipping Co., Ltd., the director of President's Office, the director of Party branch office and the member of Party Committee of Shanghai Shipping Exchange. He was appointed as the vice-Minister of Publicity Department, the general manager of Enterprise Culture Department and Spiritual Civilization Construction Office of COSCO Container Lines Co., Ltd. He was also the Minister of Publicity Department, the vice-Minister of Party Work Department of China Ocean Shipping (Group) Company, the Party secretary, the vice president of Hainan COSCO Boao Company Limited, the chairman of the union of COSCO Container Lines Co., Ltd. and the Party secretary, the vice president of Dalian Ocean Shipping Company Limited. Mr. Lu joined the Company in June 2016.

NON-EXECUTIVE DIRECTORS

Feng Boming

Mr. Feng Boming, born in October 1969 and aged 48, holds a master's degree in business administration and is an economist. He is currently a non-executive director of the Company, a member of Strategy Committee and the general manager of the strategic and corporate management division of China COSCO Shipping Corporation Limited. He is also a non-executive director of COSCO SHIPPING Holdings Co. Ltd, a non-executive director of COSCO SHIPPING Development Co., Ltd (where its A shares are listed on Shanghai Stock Exchange (stock code 601866) and its H shares are listed on the main board of Hong Kong Stock Exchange (stock code 2866)), and a non-executive director of COSCO SHIPPING Ports Limited and Piraeus Port Authority S.A (listed in Greece, stock code PPA). Mr. Feng served as deputy manager and manager of the commercial section of the liner division, and deputy manager and manager of the trade protection division of COSCO Container, general manager of COSCO Container Hong Kong Mercury Co., Ltd. of COSCO Container, general manager of the management and administration department of COSCO Holdings Co., Ltd. (Hong Kong) (中遠控股（香港）有限公司) and general manager of the administration department of COSCO Container Lines (Hong Kong) Co., Limited, general manager of the Wuhan branch of COSCO Container China branch, and director of the strategic management implementation office of China Ocean Shipping (Group) Company. Mr. Feng joined the Company in September 2016.

Zhang Wei

Mr. Zhang Wei, born in April 1966 and aged 52, is an engineer. He is currently a non-executive Director of the Company, a member of Strategy Committee, the deputy general manager of the operating management division of China COSCO Shipping Corporation Limited, a non-executive director of COSCO SHIPPING Holdings Co. Ltd, a non-executive director of COSCO SHIPPING Ports Limited, and a non-executive director of COSCO SHIPPING Specialized Carriers Co., Ltd (listed on Shanghai, stock code 600428) Mr. Zhang served as a crew member in Guangzhou Ocean Shipping Company, deputy manager of the container transportation department, deputy director of the marketing department and deputy general manager for the Asia-Pacific trade zone of COSCO Container, deputy general manager of the business advisory development department of COSCO Container, deputy general manager of Florens Container Services Company Limited and executive vice president of Piraeus Container Terminal S.A.. Mr. Zhang joined the company in September 2016.

Lin Honghua

Ms. Lin Honghua, born in June 1964 and aged 53, is an assistant accountant. She is currently a non-executive director of the Company, a member of Strategy Committee and the chief auditor of the finance and accounting division of China COSCO Shipping Corporation Limited. Ms. Lin served as deputy section chief, deputy director and director of the planning and finance department of COSCO Group, director of the finance department of COSCO Group, chief financial officer of COSCO Oceania Pty Ltd., chief auditor of the finance department of China Ocean Shipping (Group) Company, a director of COSCO Shipping Company Limited and a director of Lanhai Medical Investment Co., Ltd etc.. Ms. Lin joined the company in September 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ruan Yongping

Mr. Ruan Yongping, born in September 1973 and aged 44, is a Doctor of Accountancy, a professor of accounting and a doctoral tutor. He is currently an independent non-executive Director of the Company, the chairman of the Company's Audit Committee, a member of each of the Nomination Committee and Remuneration and Appraisal Committee, the deputy head of the Academic Committee of Business School and the head of Corporate Finance Research Institute at East China University of Science and Technology, a member of The Chinese Institute of Certified Public Accountants, and a director of the Chinese Finance Cost Research Institute. From 1995 to 1998, Mr. Ruan studied in Jinan University, majoring in finance, and obtained a master degree in economics. Mr. Ruan worked in the securities headquarters of Guangdong Overseas Chinese Trust and Investment Company from 1998 to 2001 as a member of its management in the securities issue, research and development and sales departments, and was also the responsible person of its branch. Mr. Ruan studied in the School of Management, Shanghai Jiao Tong University from 2001 to 2005 majoring in corporate management (specialized in corporate finance), and graduated with the doctorate degree in management. Since 2005 up to the present, Mr. Ruan has been engaged in teaching and scientific research in the Faculty of Accounting of Business School at East China University of Science and Technology, and worked as the deputy head of the Academic Committee of Business School, a professor, a doctoral tutor, the head of Corporate Finance Research Institute, and the financial accreditation expert of the National Innovation Fund. Mr. Ruan is currently an independent director of each of Guangzhou Zhiguang Electric Co., Ltd., and Shanghai Yaoji Playing Card Co., Ltd. (all being companies listed on the Shenzhen Stock Exchange with stock codes 002169, and 002605 respectively) , an independent director of Zhejiang Rongsheng Paper Industry Holding Co. , Ltd (being a company listed on Shanghai Stock Exchange, stock code: 603165), was also an independent director of and C&S Paper Co., Ltd. (being a company listed on the Shenzhen Stock Exchange with stock code 002511) from December 2008 to January 2015, and an independent director of SHANGHAI CIMIC TILES CO., LTD. (being a company listed on the Shenzhen Stock Exchange) from June 2011 to May 2017. Mr. Ruan joined the Company as an independent non-executive Director in March 2014.

Ip Sing Chi

Mr. Ip Sing Chi, born in August 1953 and aged 64, is currently an independent non-executive director of the Company, the chairman of the Company's Remuneration and Appraisal Committee, a member of the Company's Strategy Committee, a member of the Nomination Committee, the Group Managing Director of Hutchison Port Holdings Management Pte. Limited and the chairman of Yantian International Container Terminals Co., Ltd.. He is also an executive director of Hutchison Port Holdings Management Lte. Limited (the Trustee-Manager of Hutchison Port Holdings Trust, listed in Singapore, stock code NS8U), an independent non-executive director of Piraeus Port Authority S.A., and a non-independent non-executive director of Westports Holdings Berhad (listed in Malaysia, stock code 5246). Mr. Ip was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. Mr. Ip was a non-executive director of Tradelink Electronic Commerce Limited (listed in Hong Kong, stock code 536), an outside director of Hyundai Merchant Marine Co., Ltd. (listed in Korea, stock code 11200), and an independent non-executive director of COSCO SHIPPING Ports Limited. Mr. Ip has over 30 years of experience in the maritime industry, and holds a Bachelor of Arts degree. Mr. Ip joined the Company as an independent non-executive Director in June 2014.

Rui Meng

Mr. Rui Meng, born in November 1967 and aged 50, is a Ph.D. of Finance, an independent non-executive Director of the Company, the chairman of the Nomination Committee, a member of each of the Strategy Committee, Remuneration and Appraisal Committee and Audit Committee of the Company, a Professor of Finance and Accounting and Zhongkun Group Chair in Finance at China Europe International Business School ("CEIBS"). He is Director of Ph.D. Programme and Director of CEIBS Center for Wealth Management. He is an independent director of Media Group Co., Ltd.(a company listed on the Shenzhen Stock Exchange with stock 000333), an independent director of SGSB Group Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock 600843) and an independent director of Winner Information Technology Co., Inc. (a company listed on the Shenzhen Stock Exchange with stock 300609). Dr. Rui holds a B.S. degree in International Economics (1990) from the Institute of International Relations in Beijing, a Msc. degree in Economics (1993) from Oklahoma State University as well as an MBA in Statistics (1995) and a Ph.D. in Finance (1997), both from the University of Houston. Dr. Rui's teaching and research areas are mainly concentrated in terms of finance. Dr. Rui has published more than 90 articles in the international famous journals and is a member of think-tankers for many prominent media. He is also professionally designated as Certified Financial Analyst (CFA) and Financial Risk Manager (FRM). Prior joining CEIBS, Dr Rui worked in finance and accounting departments at the Chinese University of Hong Kong and the Hong Kong Polytechnic University and was a tenured professor of the Chinese University of Hong Kong. He served as the deputy director of the China Accounting and Finance Center of the Hong Kong Polytechnic University, a senior researcher of Economic and Financial Research Center of the Chinese University of Hong Kong, the deputy director of Corporate Governance Research Center of the Chinese University of Hong Kong, director of the master of accounting (MACC) program at the Chinese University of Hong Kong and director of the program of Executive Master of Accounting (EMPACC) of the Chinese University of Hong Kong. Dr. Rui is also an award winning teacher and researcher. He received the Faculty Teaching Award at the Chinese University of Hong Kong, six years in a row, from 2004 to 2009. He received the 2013 Research Excellence Award at CEIBS and was awarded the first CEIBS Medal for Research Excellence in 2015 and the Teaching Excellence Award at CEIBS in 2017. He was one of the 2013 annual Young Economists of China. Dr. Rui is a member of Risk Management Committee of Shanghai Clearing House, a member of American Finance Association, International Financial Management Association, the American Accounting Association, and The Hong Kong Securities and Investment Institute. He was a former member of the Panel of Examiners of the Securities Industry Examination of the Hong Kong Stock Exchange. He was a visiting financial economist at Shanghai Stock Exchange, research fellow at Hong Kong Institute for Monetary Research and research fellow at Asian Development Bank Institute. Mr. Rui joined the Company as an independent non-executive Director in June 2015.

Teo Siong Seng

Mr. Teo Siong Seng, was born in Singapore in December 1954 and aged 63, is an independent non-executive Director of the Company, a member of each of the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee of the Company. Mr. Teo graduated from Glasgow University in the United Kingdom in 1979 with a First Class Honours Degree in Naval Architecture & Ocean Engineering. He is the executive chairman & managing director of Pacific International Lines (Pte) Ltd., the chairman and chief executive officer of Singamas Container Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 00716) and an independent non-executive director of COSCO SHIPPING Holding Co., Ltd. He is the honorary president of the Singapore Chinese Chamber of Commerce & Industry and was a nominated member of parliament of the Singapore Government. He was the founding chairman of Singapore Maritime Foundation and president of Singapore Shipping Association. He was an independent non-executive director of China Shipping Container Lines Company Limited from June 2013 to May 2015. He is currently the chairman of the Singapore Business Federation, honorary consul of the United Republic of Tanzania in Singapore, director of Business China. Mr. Teo joined the Company as an independent non-executive Director in December 2015.

SUPERVISORS

Weng Yi

Mr. Weng Yi, born in July 1967 and aged 50, holds a master's degree in management, and is a senior captain and senior engineer. He is currently the chairman of supervisor committee of the company, safety director and general manager of the safety management department of China COSCO Shipping Corporation Limited. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., deputy chief of the sailing department and deputy chief of the shipping department of China Shipping Development Co., Ltd. Tramp Co., deputy director of the shipping department of China Shipping Group Company Limited, general manager of Zhuhai New Century Shipping Company Limited, deputy general manager of China Shipping Development Co., Ltd. Tramp Co., general manager of the shipping department and general manager of the operation department of China Shipping Group Company Limited and chief captain of China Shipping Group Company Limited. Mr. Weng joined the company in September 2016.

Chen Jihong

Mr. Chen Jihong, born in May 1957 and aged 60, has a university education background and has a MBA degree. He is currently a Supervisor of the Company. Mr. Chen began his career in March 1975. He was formerly the Secretary of the Communist Party of China and Secretary of the Discipline Inspection Commission of Shanghai Ocean Ship Repair Factory, the vice director and director of Department of Organization of China Shipping Group Company Limited (the controlling shareholder of the Company), the vice Mayor of Fang Cheng Gang City of Guangxi Autonomous Region (temporary post),and he was also the Party Secretary, the vice general manager of Tanker Branch of the Company, the managing director of Shanghai Shipping (Group) Company Limited, and a non-executive director of CSCL. Mr. Chen was appointed as a Supervisor of the Company in May 2013.

Xu Yifei

Mr. Xu Yifei, born in November 1965 and aged 52, is a marine captain, a senior engineer and has a bachelor degree in engineering. He is currently the chairman of the labor union of the Company and a Supervisor of the Company as a representative of employees. Mr. Xu Yifei has been served as a ship's chief officer of Shanghai Hai Xing Shipping Company Limited, a ship's marine captain of China Shipping International Ship Management Co., Ltd., the deputy chief of the maritime management department, the section chief and deputy general manager of vessel administration department, the department head of human resources department and the chairman of labor union of China Shipping Tanker Company Limited. He serves as the chairman of labor union of the Company since June 2016 and is a Supervisor of the Company since July 2016.

An Zhijuan

Ms. An Zhijuan, born in April 1978 and aged 40, a political engineer, has a postgraduate degree and a master degree in law. She is currently the department head of monitor and audit department of the Company and a Supervisor of the Company as a representative of employees. Ms. An graduated from Dalian Maritime University in April 2003 majoring in international law. She has been served as the deputy chief of the supervision and audit department of China Shipping Air Cargo Co., Ltd., the vice section chief of the supervision and audit department of China Shipping Group Company Limited. Ms. An serves as the department head of the supervision and audit department of China Shipping Tanker Company Limited since she joined the Company in September 2015, she serves as the department head of the supervision and audit department of the Company since June 2016 and is a Supervisor of the Company since July 2016.

SENIOR MANAGEMENT

Yang Shicheng

Mr. Yang Shicheng, born in December 1964 and aged 53, holds a posgraduate degree, is a senior economist, and is a deputy general manager of the Company. Mr. Yang began to work in August 1987, he was the deputy general manager of Transportation Department of China Ocean Shipping (Group) Company, the deputy director of the research center and the general manager of COSCO (UK) Ltd. Mr. Yang obtained his Master degree of majoring at International Maritime from Shanghai Maritime University and a master degree of Commercial Law from The Bristol University in U.K. He joined the Company as a deputy general manager in December 2017.

Qin Jiong

Mr. Qin Jiong, born in September 1968 and aged 49, has a college degree and is a sea captain. He is now a deputy general manager of the Company. Mr. Qin was formerly a sea captain of Shanghai Maritime Bureau, deputy general manager of Container Transport Division I and director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., and the general manager of the Operation Management Department of China Shipping Group Company Limited. Mr. Qin joined the Company as a deputy general manager in March 2016.

Xiang Yongmin

Mr. Xiang Yongmin, born in July 1962 and aged 55, has a junior college education background and holds a Master's Degree in Engineering and is also an accountant. He is now the Chief Financial Officer of the Company. Mr. Xiang was formerly the manager of China and Tanzania Ocean Shipping Company, the deputy manager, the director, the general manager of Finance Department, and the Chief Financial Officer of Dalian Ocean Shipping Company Limited. He was also the member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. Xiang was a deputy general manager of the Company from June 2016 to August 2017. Mr. Xiang has more than 30 years' experience in financial works and has extensive experience in financial, corporate strategy and management field. Mr. Xiang joined the Company in June 2016.

Luo Yuming

Mr. Luo Yuming, born in December 1967 and aged 50, is a senior engineer. He is currently a deputy general manager of the Company. Mr. Luo graduated from the Dalian Maritime University majoring in Navigation. He joined the Company in August 1989 and was captain of oil tankers, head of maritime section, assistant to general manager and deputy general manager of China Shipping Development Company Limited Tanker Company — (Guangzhou Branch). He was appointed the director of the vessel administration department of China Shipping Development Co., Ltd. Tanker Company in September 2005 and the general manager of the shipping department in January 2007. He was also the vice general manager of China Shipping Tanker Company Limited in May 2012. Mr. Luo was appointed the deputy general manager of the company in June 2016.

Zhao Jinwen

Mr. Zhao Jinwen, born in May 1962 and aged 55, has a graduate education background and holds a Master's Degree in Engineering and is also an senior chief engineer. He is now a deputy general manager of the Company. Mr. Zhao was formerly ship's chief engineer, the manager of Security Technology Department, the manager of Ship Technology Department, the deputy general manager and the general manager of Security Technology Department. He was also formerly the general manager assistant, the vice general manager and the member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. Zhao joined the Company as a deputy general manager in June 2016.

Li Zhuoqiong

Ms. Li Zhuoqiong, born in October 1973 and aged 44, is graduated from Dalian Maritime University with a Master's Degree in International Law and is also a senior economic engineer. She is now the Chief Law Officer and the Secretary of the Board of the Company. Ms. Li began her career in August 1995, and was the general manager of Strategic Development Department of Dalian Ocean Shipping Company, and was also the general manager of Strategy and Enterprise Management Department of the Company from June 2016 to March 2017.

中遠海運能源運輸股份有限公司
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