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

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

INTERIM REPORT
2018

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(I) THE MAIN BUSINESSES, OPERATING MODEL OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD. (THE "COMPANY" AND TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP") AND CONDITIONS OF THE INDUSTRY DURING THE SIX MONTHS ENDED 30 JUNE 2018 (THE "REPORTING PERIOD")

The Group is mainly engaged in international and domestic coastal crude oil and product oil transportation, as well as international liquefied natural gas ("LNG") transportation.

In terms of transportation capacity, the Group is the world's largest tanker owner. As of 30 June 2018, the Group owned and controlled 146 oil tankers with a total capacity of 21.04 million Dead Weight Tonnage ("DWT"), including 132 self-owned oil tankers with a capacity of 18.17 million DWT, 14 leased oil tankers with a capacity of 2.87 million DWT, and an order of 21 oil tankers with a capacity of 3.9 million DWT. The Group is also a leading player in the coastal crude oil and product oil transportation industry in People's Republic of China (the "PRC" or"China"). In the coastal crude oil transportation sector, the Group has maintained its position as industry leader and a market share of over 55%. After the completion of the acquisition of product oil fleet of PetroChina Company Limited ("PetroChina") in March 2018, the Group has become a leader in the coastal product oil transportation market.

The Group's main operating model for oil shipment business is to use its self-owned and controlled vessels to carry out production and operation activities by spot market chartering, time chartering, signing Contract of Affreightment ("COA") with cargo owners, entering POOL and other various ways. The Group's oil transportation business features all ship types and full-service business with the ability to connect domestic and foreign trade, large and small vessels, as well as dirty oil and clean oil. It boasts the capacity to provide customers with whole-process transportation solutions and maximize the utilization of transportation resources.

The international oil tanker transportation industry is emerged due to the oil trade formed by the different geographical distribution of major oil producing areas and consumption areas. Shipping is the most efficient and cost-effective way to transport largest quantity of oil. The international oil tanker transportation industry has three characteristics: first, direction of goods flow is relatively homogenous, and route layout fixed. Compared with other water transport services, oil shipping, mainly one-way, features high empty voyage rate and low utilization of load capacity. This feature is more obvious in crude oil shipping than product oil shipping, and in large oil tankers than small and medium oil tankers. Second, the risk of safety and oil pollution is greater, and major oil companies have special inspection mechanisms. More than 80% of the tanker terminals and 85-90% of the oil products in the world are in the hands of major oil companies. The oil tanker companies engaged in international business may not provide transportation services to major oil companies unless passing the inspection on the vessel management condition by such companies. Therefore, vessel management level is one of the core competitiveness of international oil tanker companies. Third, the shipping price is more affected by international political and economic factors, and the fluctuation is more severe. Due to the high correlation between the transported goods-oil and the international political and economy, the shipping price of oil tankers is more affected by international political and economic factors. In the past two decades, TD3 (Middle East-Far East) route for very large crude carrier ("VLCC") recorded the lowest daily Time Charter Equivalent ("TCE") of USD12,800/day in 2011, and recorded the highest daily TCE of USD105,000/day in 2008, with a difference of more than 8 times.

In China's coastal oil tanker transportation sector, in order to ensure the national energy transportation safety and the safety of coastal marine environment, China currently is implementing an approval system for companies and ships engaged in coastal oil transportation. Compared with international oil transportation market, the supply of and demand for transportation capacity in the coastal oil transportation market are relatively balanced, total available market is relatively stable, and the shipping price stability is relatively higher.

The Group is a leader in China's LNG shipping business and an important participator 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 holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As of 30 June 2018, the Group had a total of 38 jointly-invested LNG vessels, including 22 LNG vessels in operation with capacity of 3,650,000 cubic metres, 16 LNG vessels under construction with capacity of 2,767,300 cubic metres.

LNG is the abbreviation of Liquefied Natural Gas, which is formed by liquefaction of natural gas at ultra-low temperature (-163 ° C), and its volume is 1/625 of natural gas with same quality. LNG can greatly save storage and transportation space. The LNG industrial chain is a completed chain with excessive funds and intensive technologies covering the entire process of the natural gas industry. The natural gas extracted from onshore or offshore oil field is liquefied after being pretreated by the liquefaction enterprise. The LNG produced is shipped or transported by other means to the LNG receiving station for storage according to the trade contract, and then gasified and delivered to the user through the pipe network. During the course of transportation, offshore LNG traffic volume currently accounts for more than 80% of the world's LNG traffic volume. The characteristics of the LNG transportation industry are as follows: firstly, the LNG carriers have been recognized internationally as "three high" products with high technology, high difficulty and high added value, thus are expensive. LNG transportation has higher requirements for ship management; therefore, the LNG shipping industry is highly centralized. Secondly, due to the characteristics of the LNG industry chain, among the global LNG fleets, more than 80% of vessels under operation and more than 85% of the backlog of orders are bound to particular LNG projects (referred to as "Project Vessels"), and for them long-term time charter are signed with the project parties for gaining stable rents and investment yields.

All of the 38 LNG carriers currently invested by the Group are Project Vessels, which means that all vessels are bound to particular LNG projects, and for them long-term time charters were signed with project parties with stable income. In recent years, as the LNG carriers which the Group involved in investment and construction have been put into operation, the Group's LNG transportation business has accelerated into the harvest period.

In the overall business structure of the Group, the yield from coastal (domestic trade) oil transportation business and LNG transportation business is generally stable, providing a "safety pad" for the Group's operating results; and the international (foreign trade) oil transportation business is subject to volatility due to market freight rates, providing cyclical flexibility for the Group's operating results.

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

(1) International Oil Shipping Market

The TCE level in the international crude oil shipping market in the first half of 2018 fell to a historical low of recent two decades. From the demand perspective, the further efforts on production cuts made by the Organization of Petroleum Exporting Countries ("OPEC") and other major oil-producing countries, and the unfavourable impact arising from the geographical, political and economic events, for instance, Venezuela's crude oil export curtailment due to political and economic difficulties, and US re-imposing sanctions on Iran, had driven the price increase of international crude oil, suppressed global crude oil trade and slowed down the growth rate of crude oil import of major importers such as the PRC. Despite the favorable factors such as the lengthening in average distance of global crude oil shipping and OPEC's decision to increase production in late June, the overall demand for global crude oil shipping was still affected in the first half of the year. From the supply perspective, as environmental protection conventions such as ballast water and IMO 2020 sulphur cap are about to take effect, even though the demolition of aged vessels soared to a record high in the first half of the year, and the delivery of new ships has slowed down, the global crude oil capacity has registered a negative growth for the first time in recent years and the freight rates continued to fluctuate at low level as it took time to digest the substantial new capacity which arose over the past two years. The freight rate of VLCC Middle East-China (TD3C) shipping route was only WS43.22, representing a decrease of approximately 19% over the last corresponding period on the same basis; meanwhile, the international fuel oil price (Singapore IFO380) increased by approximately 28% year-on-year, and the average TCE level of VLCC was only USD5,905 per day, representing a decrease of approximately 74% year-on-year. Among them, the average TCE level of the VLCC Middle East-Far East route was only USD8,623 per day, down about 61.8% year-on-year. The TCE level of other major crude oil transportation routes also decreased by more than 60%.

	TCE (USD/day)		
Vessel Type	**In the first half of 2018**	**In the first half of 2017**	**Increase/ (decrease)**
VLCC Middle East-Far East TD3C	8,623	22,549	(61.8%)
Suezmax West Africa-Europe TD20	5,305	14,196	(62.6%)
Aframax Kuwait-Singapore TD8	3,092	8,811	(64.9%)

(2) Domestic Oil Shipping Market

The domestic coastal crude oil shipping market was generally stable in the first half of 2018. Due to the overhaul of some offshore oil platforms and reduction in processing volume of some refineries arising from the national tax reform policy on product oil and the impact of high oil prices, the total market capacity has decreased, but the freight rate has remained stable. In the first half of the year, the demand for domestic coastal refined oil shipping was improving, and the market for coastal product oil shipping increased slightly. At the end of June 2018, the index of coastal product oil products issued by Shanghai Shipping Exchange closed at 965.47 points, up 1.43% from the beginning of the year.

(3) LNG Shipping Market

In the first half of 2018, thanks to the firm implementation of the "switch from coal to gas" policy, LNG imports by the PRC continued to rise rapidly, reaching 23.663 million tons, an increase of 51.3% year-on-year. Affected by the surge in natural gas demand in emerging Asian economies such as China, the demand for global LNG spot shipping market was strong in the first half of the year, with demand exceeding supply, the freight rate rose sharply. The average daily TCE of the 160,000m^3 LNG carrier spot market was USD61,692/day, up about 64% year-on-year, and the daily TCE of the 160,000m^3 DFDE (dual fuel electric propulsion) LNG carrier spot market reached USD90,000/day in June, the highest since the beginning of 2014.

(III) REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

In the first half of 2018, the Group reported a shipping volume of 72.99 million tons, a year-on-year increase of 29.0%; a shipping turnover of 254.43 billion ton-nautical miles, a year-on-year increase of 31.2%; revenue from principal operations of RMB5.04 billion, a year-on-year increase of 1.2%; and cost from principal operations of RMB4.59 billion, a year-on-year increase of 25.9%. The net profit attributable to shareholders of listed companies was RMB-236.9 million, a year-on-year decrease of 127.4%; EBITDA was RMB1,575 million, a decrease of 34.3% year on year.

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with the same period in 2017	Increase/ (decrease) in operating costs as compared with the same period in 2017	Gross profit margin as compared with the same period in 2017
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(percentage points)
Crude oil	1,133,732	727,838	35.8	(13.2)	(5.4)	(5.3)
Refined oil	647,289	517,127	20.1	305.8	305.2	0.1
Vessel chartering	54,485	37,557	31.1	0.5	(0.5)	0.6
Domestic Oil Shipping	1,835,505	1,282,522	30.1	20.8	37.3	(8.4)
Crude oil	1,927,001	2,360,275	(22.5)	(6.3)	36.2	(38.3)
Refined oil	373,809	384,754	(2.9)	42.8	35.4	5.7
Vessel chartering	311,176	306,052	1.6	(62.6)	(38.3)	(38.6)
International Oil Shipping	2,611,986	3,051,081	(16.8)	(17.1)	21.4	(37.0)
Oil Shipping Sub Total	4,447,491	4,333,603	2.6	(4.8)	25.7	(23.6)
International LNG Shipping	512,677	203,416	60.3	116.7	156.9	(6.2)
Domestic Liquefied Petroleum Gas ("LPG") Shipping	2,460	2,000	18.7	(54.9)	(52.8)	(3.6)
International LPG Shipping	47,365	30,090	36.5	11.9	28.9	(8.4)
Others	26,174	23,179	11.4	8.7	(75.5)	303.6
Total	5,036,166	4,592,288	8.8	1.2	25.9	(17.9)

Principal Operations by Geographical Regions

Regions	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with the same period in 2017	Increase/ (decrease) in operating costs as compared with the same period in 2017	Gross profit margin as compared with the same period in 2017
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(percentage points)
Domestic shipment	1,837,965	1,284,522	30.1	20.5	36.8	(8.4)
International shipment	3,198,201	3,307,766	(3.3)	(7.4)	22.0	(24.8)
Total	5,036,166	4,592,288	8.8	1.2	25.9	(17.9)

Transportation volume by product types

Transportation volume	In the first half of 2018	In the first half of 2017	Increase/ (decrease)	In the first half of 2018	In the first half of 2017	Increase/ (decrease)
	('000 tons)	('000 tons)	(%)	(billion tonne-nautical miles)	(billion tonne-nautical miles)	(%)
Crude oil	24,562.4	26,328.2	(6.7)	7.44	9.59	(22.4)
Refined oil	6,637.0	1,538.9	331.3	6.43	1.91	237.4
Domestic Oil Shipping	31,199.4	27,867.1	12.0	13.88	11.50	20.7
Crude oil	36,686.9	25,380.8	44.6	225.95	171.98	31.4
Refined oil	4,957.3	3,186.0	55.6	14.50	10.32	40.5
International Oil Shipping	41,644.2	28,566.9	45.8	240.45	182.30	31.9
Oil Shipping Sub Total	72,843.6	56,434.0	29.1	254.32	193.80	31.2
LPG Shipping	148.7	145.1	2.5	0.11	0.09	22.5
Total:	72,992.3	56,579.1	29.0	254.43	193.89	31.2

In the first half of 2018, facing the grim situation of the international oil shipping market at a historical low, the Company has outperformed the market by primarily strengthening the implementation of the following five business strategies: first, gave full play to the role of global outlets and capacity scale to improve the proportion of "triangular route" supply and the overall TCE level of VLCC fleet was substantially higher than the market TCE level in the same period. Second, completed the acquisition of the product oil fleet of PetroChina, contributing to the revenue from domestic oil shipping business which increased 20.8% year-on-year. Third, drew on the strength of large-client cooperation, and the cooperation and win-win mechanism established with key customers in the early stage played an important role in the market downturn. Fourth, exploited the advantages of both domestic and foreign trade, carried out the linkage of domestic and foreign shipping capacity, and innovated the implementation of quasi-liner services, to ensure fleet operating efficiency outperforming the market. Fifth, the LNG business segment accelerated into the harvest period. The Arctic-class vessels of the Yamal project were put into operation successively, and the conventional vessel project was further extended. In the first half of the year, the LNG sector contributed a profit before tax of RMB206 million, a year-on-year increase of 54.3%.

(1) Shipping Business – Oil Product Shipping Business

Foreign trade oil shipping business:

In the first half of 2018, the international oil shipping market fell to a historical low in the past two decades, and the TCE level of each ship type decreased by 60% to 74%. The Group recorded the turnover of foreign trade oil shipping of 240.45 billion ton-nautical miles, an increase of 31.9% year on year; shipping income of RMB2.612 billion, a year-on-year decrease of 17.1%; and gross profit margin of -16.8%, a year-on-year decrease of 37.0 percentage points. Facing the historical low point of the market, the Company has given full play to the advantages in fleet size, global network and strategic customers, thus secure an overall income level of VLCC fleet substantially higher than the market TCE level in the same period.

(a) Taking advantages of the global network and fleet size to build a high-quality VLCC triangle route, and to guarantee that the operating level largely outperform the market. Give full play to the role of four overseas business outlets in Houston, London, Singapore and Hong Kong. In addition to consolidate the traditional "Middle East-US Gulf-Far East" triangle route, we have further expanded the "big triangle route" of "the Middle East-West America-South America-Far East" and the "small triangle route" of "the Middle East-Red Sea-Far East". Their operating TCE level are substantially higher than the market level of the traditional route at the same period.

(b) Give full play to the advantages of cooperation with major customers, and the contribution of key projects is outstanding. At the end of last year, the Company and PetroChina signed a COA in relation to the China-Myanmar crude oil pipeline project, "the Belt and Road" national key project, and opened up a new route for the Persian Gulf-Maad Island international crude oil shipping. In the first half of the year, the Company innovatively promoted the VLCC quasi-liner shipping mode on the above routes. By optimizing operational efficiency and quality, the operating level outperformed traditional routes. At the end of last year, the Company also reached a package agreement with Sinochem Group for five VLCCs being time-chartered in and COA cooperation. Meanwhile, the Company strengthened the implementation of the COA with PetroChina. The cooperation and win-win mechanism established by the two parties during the market downturn has achieved remarkable results, playing an important role in reducing losses in the Company's foreign trade business.

Domestic trade oil shipping business:

In the first half of 2018, the Group recorded a turnover in domestic trade oil shipping of 13.88 billion ton-nautical miles, an increase of 20.7% year on year; shipping income of RMB1.836 billion, an increase of 20.8% year on year; and gross profit margin of 30.1%, a decrease of 8.4 percentage points year-on-year. The gross profit margin of the domestic trade oil shipping business decreased, which was mainly due to the increase in the proportion of domestic trade product oil business and the increase in fuel prices. In the first half of the year, the Group continued to maintain its leading position in the domestic crude oil shipping sector with a market share of 56%. It also acquired the product oil fleet of PetroChina by means of share purchasing, and became a leading enterprise in the field of product oil shipping in the domestic market.

(a) COSCO PetroChina SHIPPING Co., Ltd. (中遠海運石油運輸有限公司) was officially established and put into operation, integrating the resources of the product oil shipping business of PetroChina and the Company. The scale and synergy effect gradually appeared, and the Group's leading position in the industry became more prominent. In the first half of the year, the Group recorded a turnover of domestic trade oil product of 6.43 billion ton-nautical miles, an increase of 237.4% year-on-year; shipping income of RMB647 million, an increase of 305.8% year-on-year; and gross profit margin of 20.1%, an increase of 0.1 percentage points year-on-year.

(b) The Company adheres to the strategy of large customers and maintain a high proportion of domestic COA supply. In the first half of the year, the Company renewed COAs with its major domestic customers and developed two new customers. The COA supply of domestic trade oil continued to maintain a high proportion of over 90%. By providing quasi-liner services for domestic trade major customers, opening up six quasi-liner routes, strengthening coordination and close connection with ports, agents and cargo owners and improving vessels' operating efficiency and customer satisfaction, the quasi-liner operating days in the first half of the year accounts for more than 50% of domestic trade crude oil operating days.

(c) The Company gives full play to the unique advantage of the fleet structure of "domestic and foreign trade linkage" and strengthen the real-time linkage and optimal allocation of the domestic and foreign market capacity. In the first half of the year, 7 domestic and foreign shipping capacity linkages were carried out to maximize the advantages of domestic and foreign trade vessels and to increase the overall operational efficiency and operating income of the fleet.

LNG shipping business

As of the end of June 2018, the Group had invested in a total of 22 LNG vessels with a capacity of 3.65 million cubic meters in operating, an increase of 6 vessels and 1.04 million cubic meters compared with the end of last year; there are 16 LNG vessels of 2.77 million cubic meters under construction and will all be delivered by the end of 2020. The Group's LNG shipping business has entered a rapid growth phase and harvest period. In the first half of the year, the LNG sector contributed a total profit before tax of RMB206 million, an increase of 54.3% year on year.

The Group participated in the investment of 18 out of the 19 new LNG vessels in Russia's Yamal project, 14 of which are Arc7-class icebreaker LNG carriers. Since the end of last year, 4 of the above 14 LNG Arctic vessels have been put into operation successively, achieving major industrial breakthroughs in opening up Arctic LNG shipping routes. In July of this year, China's first ship named Vladimir Rusanov of Yamal LNG project, invested and built by the Group, arrived in Jiangsu via the Arctic Northeast Route, achieving a new breakthrough in the development of China's Arctic Routes.

Facing the golden development opportunities of LNG industry, as a leader in China's LNG shipping industry, the Group successfully held the "2018 Shanghai LNG Development Forum" in June this year, focusing on the theme of "Green, Safety, Development and Win-Win Results". All relevant parties in the LNG industry chain at home and abroad discussed the development direction of LNG industry of China and the world.

(2) Cost and Expense Analysis

Item	**In the first half of 2018 (RMB'000)**	**In the first half of 2017** (RMB'000)	**Increase/ (decrease)** (%)	**Composition ratio in the first half of 2018** (%)
Fuel costs	**1,336,590**	961,104	39.1	29.1
Port costs	**392,487**	388,605	1.0	8.5
Sea crew cost	**657,128**	539,030	21.9	14.3
Lubricants expenses	**113,633**	94,771	19.9	2.5
Depreciation	**1,013,257**	890,583	13.8	22.1
Insurance expenses	**84,052**	81,706	2.9	1.8
Repair expenses	**124,359**	84,396	47.4	2.7
Charter cost	**649,814**	223,185	191.2	14.2
Others	**220,969**	385,537	(42.7)	4.8
Total	**4,592,288**	3,648,918	25.9	100.0

In the first half of 2018, in the face of severe market conditions, the Group implemented lean management over cost control in all key aspects, and the overall increment in cost was under control against the background of a year-on-year increases in self-operated capacity of 42.3% and fuel price of 28.0%. In the first half of the year, the Group's cost from principal operations was approximately RMB4,592 million, a year-on-year increase of 25.9%, which was lower than the year-on-year increase in operating capacity by 16.4 percentage points.

(a) Implementing a lean fuel management project to comprehensively carry out a series of measures such as extreme speed reduction of vessels, lean control of cargo oil heating, and bulk price lock of fuel purchases. In the first half of the year, the Company realized 586 vessels being slowed down with accumulated fuel savings of 46,476 tons; lean control of cargo oil heating saved altogether 2,219 tons of oil and total fuel savings was up to RMB120 million; and the average fleet fuel consumption was 2.04 kg per thousand ton-nautical miles, a year-on-year decrease of 8.8%.

(b) Strictly control the key links of cost and expenditure, and exert synergistic effect of scale procurement. The Company, together with certain members of the COSCO SHIPPING Group, and 11 domestic major ports signed a preferential agreement and strictly controlled the expenses by strengthening the self-guiding and self-port entering of vessels. Encountering a substantial year-on-year increase in operating capacity, the port fee remains basically the same as that of the same period last year. An insurance service framework agreement was signed with COSCO SHIPPING Property Insurance Co., Ltd.* (中遠海運財產保險自保公司). In the context of a 19.7% year-on-year increase in shipping capacity, the insurance premium increased by only 2.9% year-on-year.

(3) Business Analysis of Joint Ventures and Associates

In the first half of 2018, the Group continued to adhere to the development strategy of "big cooperation with big customers and great service", strengthened contacts with other shareholders of joint ventures and associates through business seminars, etc., and closely exchanged management ideas and requirements of all parties to improve the management level of the associates and joint ventures. Meanwhile, it focused on strengthening the business synergy between the Company's headquarter and the joint ventures and associates, consolidating the cooperation relationship with major customers through platforms of the joint ventures and associates, striving to improve the overall operational efficiency and service quality of the industry, which have achieved remarkable multi-win results.

In the first half of 2018, the Group confirmed that the investment income of joint ventures and associates was approximately RMB261 million; the two major joint ventures and associates of the Group recorded a total turnover of approximately 23.15 billion ton-nautical miles; revenue and net profit of approximately RMB1,209 million and RMB406 million respectively.

Operating results of main joint ventures and associates:

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%	8.11	671,059	223,653
CLNG	50%	15.04	537,870	182,030

(IV) 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 RMB366,668,000 representing an decrease of approximately 81% as compared to approximately RMB1,937,052,000 for the six months ended 30 June 2017.

(2) Capital commitments

	Note	**30 June 2018 RMB'000**	31 December 2017 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**7,774,702**	9,563,431
Project investments	(ii)	**467,879**	487,255
		8,242,581	10,050,686

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 (31 December 2017: RMB298,709,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,043,212,000 (31 December 2017: RMB1,430,809,000).

(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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Total debts	**29,869,016**	29,278,990
Less: cash and cash equivalents	**(4,652,818)**	(5,007,654)
Net debt	**25,216,198**	24,271,336
Total equity	**28,596,152**	28,261,889
Net debt-to-equity ratio	**88%**	86%

(4) Trade and bills receivables and contract assets

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade and bills receivables from third parties	**756,225**	962,966
Trade receivables from fellow subsidiaries	**7,849**	5,383
Trade receivables from related companies (note)	**554,873**	750
	1,318,947	969,099
Less: allowance for doubtful debts	**(20,291)**	(14,730)
	1,298,656	954,369
Current contract assets relating to oil shipment contracts	**425,165**	–
Less: loss allowance	**(1,942)**	–
Total contract assets	**423,223**	–

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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 3 months	619,358	758,917
4 – 6 months	521,901	83,273
7 – 9 months	21,930	43,543
10 – 12 months	37,840	27,575
1 – 2 years	95,337	41,061
Over 2 years	2,290	–
	1,298,656	954,369

(5) **Trade and bills payables**

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade and bills payables to third parties	926,803	685,852
Trade payables to immediate holding company	42	1,985
Trade payables to fellow subsidiaries	640,864	301,427
Trade payables to an associate	9,827	3,267
Trade payables to related companies (note)	90,915	54,030
	1,668,451	1,046,561

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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 3 months	**867,340**	626,597
4 – 6 months	**426,677**	75,940
7 – 9 months	**32,686**	73,324
10 – 12 months	**62,055**	60,941
1 – 2 years	**84,568**	15,995
Over 2 years	**195,125**	193,764
	1,668,451	1,046,561

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

(6) Provision and other liabilities

	30 June 2018 RMB'000	31 December 2017 RMB'000
Provision for onerous contracts	**–**	54,621
Others	**15,319**	15,318
	15,319	69,939
Less: current portion	**–**	(54,621)
Non-current portion	**15,319**	15,318

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.

(7) **Derivative financial instruments**

As at 30 June 2018, the Group had interest rate swap agreements with total notional principal amount of approximately USD542,109,000 (equivalent to RMB3,586,918,000) (31 December 2017: approximately USD554,364,000 (equivalent to RMB3,622,325,000)) which will mature in 2031, 2032 and 2033 (31 December 2017: 2031, 2032 and 2033). 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% (31 December 2017: 3-month Libor plus 2.20%).

(8) **Interest-bearing bank and other borrowings**

	30 June 2018 RMB'000	31 December 2017 RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	**1,114,823**	1,216,509
Unsecured	**4,511,793**	4,289,599
	5,626,616	5,506,108
(ii) Other borrowings		
Unsecured	**1,386,810**	1,372,410
Interest-bearing bank and other borrowings – current portion	**7,013,426**	6,878,518
Non-current liabilities		
(i) Bank borrowings		
Secured	**14,795,311**	14,068,254
Unsecured	**2,749,198**	2,995,123
	17,544,509	17,063,377
(ii) Other borrowings		
Unsecured	**175,850**	208,850
Interest-bearing bank and other borrowings – non-current portion	**17,720,359**	17,272,227

As at 30 June 2018, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 42 (31 December 2017: 39) vessels and 1 (31 December 2017: 4) vessel under construction with total net carrying amount of RMB24,206,561,000 (31 December 2017: RMB19,998,023,000) and RMB386,720,000 (31 December 2017: RMB3,216,511,000) respectively.

As at 30 June 2018, secured bank borrowings of RMB15,724,435,000 (31 December 2017: RMB15,085,062,000) and unsecured bank borrowings of RMB7,260,991,000 (31 December 2017: RMB6,704,422,000) were denominated in USD.

(9) Bonds payable

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the period/year	**3,985,777**	3,982,045
Interest charge	**1,910**	3,732
At the end of the period/year	**3,987,687**	3,985,777

(10) Contingent liabilities and Gurantee

(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 RMB54,256,120). The guarantee period is limited to the lease period of each LNG vessel leased by the 4 Associates.

(ii) At the 2014 seventh meeting of the board (the "Board") of directors of the Company (the "Directors") 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 USD328,000,000 (equivalent to RMB2,170,244,800). 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 RMB42,346,240).

(iii) Subsequent to the approval by 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 RMB2,497,766,500), 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 currency risk management

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

As at 30 June 2018, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the Reporting Period would have been RMB5,412,000 higher/lower (31 December 2017: RMB6,729,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

(12) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 30 June 2018 and 31 December 2017.

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 an optimal ratio between fixed and floating rates borrowings.

As at 30 June 2018, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the Reporting Period would have been RMB95,875,000 (31 December 2017: RMB111,606,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

(V) OTHERS

(1) Fleet Expansion Projects

During the first half of 2018, the Group achieved further development in its fleet expansion.

During the first half of 2018, capital expenditure of approximately RMB1.95 billion was paid for the construction of new vessels by the Group, of which RMB1.44 billion was paid for the construction of oil tankers and RMB0.52 billion was paid for the construction of LNG vessels.

In terms of fleet expansion, 3 new tankers with a total capacity of approximately 0.70 million DWT and 2 new jointly-invested LNG vessel with a total capacity of approximately 350,000 cubic metres have been delivered for use during the first half of 2018.

As at 30 June 2018, the composition of the Group's fleet is as follows:

	Number of vessels	DWT/ Cubic metres ('000)	Average age (years)
Oil tankers	132	18,173	7.7
LPG vessels	5	15	11.3
LNG vessel (note)	6	1,045	0.9
Total	143	18,188/1,045	8.3

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

(VI) OUTLOOK AND HIGHLIGHTS FOR THE SECOND HALF OF 2018

(1) Industry Supply and Demand Pattern and Development Trend

International oil shipping market

In recent years, global oil demand has continued to grow healthily. According to BP Statistical Review of World Energy, in 2017, global oil consumption increased about 1.7 million barrels per day, among which, China (500,000 barrels per day), the United States (190,000 barrels per day) and Europe (280,000 barrels per day) contributed the most increments. In particular, the consumption increase of Europe exceeded market expectations, with the growth rate reached the highest level since the Financial Crisis, demonstrating the strong global economic recovery in recent years. The International Energy Agency ("IEA") expects that global oil consumption will continue to grow by about 1.4 million barrels per day in 2018, higher than the historical average. In terms of oil supply, the implementation rate of OPEC production reduction in 2017 was over 100%, and in the first half of 2018, the rate was further increased to exceed market expectation. This increase in oil consumption and decline in oil supply have led to a reduction of 150 million barrels of oil commercial inventories in member countries of the Organisation for Economic Cooperation and Development ("OECD") in 2017. Thus far, OECD commercial crude oil inventories have fallen below the average level over the past 5 years. At this point, the crude oil inventories accumulated during the global low oil price period (2015-2016) have been basically eliminated. With the decision of OPEC on June 22, 2018 to increase the crude oil production by about 1 million barrels per day from July 2018, the global oil market has started a rebalancing phase, and the recovery of oil trade will stimulate the shipping demand.

In terms of shipping capacity supply, the gap between the aged tanker TCE and the average market TCE in the sluggish market environment is further widened. With the ballast water convention and the 2020 sulfur emission cap taking effect, the operating cost of aged tankers will continue to increase, whose capacity are expected to be moved out of market at high speed. In terms of new vessel orders, the price of new shipbuilding may enter a rising cycle due to the increase in steel and labor costs and the improvement of shipbuilding standards regulated by environmental protection conventions. Statistics from relevant institutions show that the new shipbuilding price of VLCC in July 2018 was USD90 million/ship, an increase of 10.4% compared to USD81.5 million/ship in December 2017. New shipbuilding financing generally accounts for 70% of the ship price. Since 2016, the US dollar has entered the rate-increase cycle, and financing costs have increased substantially. The further rise in actual shipbuilding costs will inhibit the growth rate of new ship orders to some extent.

In summary, the supply and demand situation of the international oil shipping market is being improved at an accelerated speed. As the particularity of the cargo type-oil, the tanker freight rate was greatly affected by international political and economic factors. Recently, international trade disputes have occurred frequently. In November, the United States will restart economic sanctions against Iran's energy sector. Some geopolitical complications of oil-producing countries may affect the international oil shipping market.

Domestic oil shipping market

According to the analysis of China Petroleum Industry Development Report (2018), private refineries have become an emerging force in China's energy market under the circumstance of China's stable economic growth and market-oriented reforms in the oil and gas industry; with the implementation of the consumption tax reform on product oil, private refineries are facing structural adjustments featuring the survival of the fittest. According to statistics, from 2017 to 2020, the total processing capacity of the new and expanded oil refining projects of private refineries will reach 110 million tons, and the processing capacity of state-owned refineries will increase by about 26 million tons, which will strongly support the continued growth of China's imported crude oil and maintain the overall stability of domestic crude oil shipping demand.

In 2018, the demand for product oil products in China is relatively stable, the growth rate of gasoline demand slows down steadily, the demand for diesel oil fell, and the demand for kerosene continues to grow at a high rate. During the "Thirteenth Five-Year Plan" period, large-scale refining and chemical integration projects such as Hengli Petrochemical and Zhoushan Petrochemical have been successively landed. The Chinese refining industry will transform its emphasis from refining to chemical engineering. In general, with the rapid development of China's refining industry and operation of large-scale refinery projects in Guangdong and Zhoushan in the next two years, refining capacity will continue to grow, structural overcapacity will become increasingly prominent, and product oil exports will be characterized by normalization and large scale.

LNG shipping market

BP Statistical Review of World Energy 2018 predicts that global natural gas consumption growth rate will be much higher than that of coal and oil from 2018 to 2040, with an average annual growth rate of 1.6%, while LNG consumption demand will grow more than double, about 40% growth in the next five years. The IEA's Natural Gas Market Report 2018 says that China's sustained economic growth and strong environmental policies will contribute 37% of global natural gas consumption growth from 2017 to 2023, surpassing any other country. As China's natural gas production capacity cannot meet consumption demand, imports will become the main mode of supply. China is expected to become the world's largest natural gas importer by 2019. China's natural gas imports will reach 171 billion cubic meters in 2023, most of which are LNG.

In June 2018, the global natural gas liquefaction capacity was 380 million tons/year. There are currently 85 million tons/year of liquefaction projects under construction, and 169 million tons/year of liquefaction projects are still in front-end engineering design. At the beginning of June 2018, the total number of LNG carriers in the world reached 531, with a total capacity of 78.30 million cubic meters. The capacity was increased by 5.9% compared with the beginning of the year. It is expected that the capacity will increase by 11% in 2018 and by 8% in 2019. Despite the rapid growth of LNG capacity in the next few years, the new LNG projects being continuously completed and put into production, the supply of LNG capacity will continue to be insufficient before 2020. The research institutions predicts that the LNG carriers' spot market will remain high as a whole.

(2) Highlights for the Second Half of the Company

In the second half of 2018, the Company will continue to firmly promote the development strategies of "strategic transformation of traditional market + advancing towards the Blue Ocean in emerging market". In the field of oil shipping, the Company will exert the unique advantages of integration of internal and external trade as well as large and small vessels to further accelerate its strategic transformation into an all-round tanker transportation service provider, who can provide its customers with whole-process transportation solutions and one-stop services. In the field of LNG and new energy shipping, it will vigorously implement the strategy of "Advancing towards the Blue Ocean" and enter into the emerging areas such as "new energy, new routes and new business", promoting forward-looking layout and comprehensive upgrade of its business structure.

In the second half of 2018, the Company will focus on the following work:

Firstly, we will further develop the advantages of global outlets and capacity scale, optimize market forecasting and fleet placement models based on data analysis, and continue to develop from snatching sources, adjusting structure, grasping rhythm and placing positions to secure VLCC fleet operating level continue to outperform the market.

Secondly, we will further develop the advantages of the fleet structure of engagement in both domestic and foreign trade, integrate domestic and foreign shipping capacity and business resources, strengthen the real-time linkage and optimal allocation of internal and external shipping capacity, strengthen the business synergy between the headquarter of the Company and joint ventures and associates, and improve the overall productivity and efficiency of our fleet operations.

Thirdly, we will further develop the advantages of cooperation with major customers, consolidate and enhance the established cooperation and win-win mechanism in the market downturn, and strengthen the implementation of quasi-liner services and other innovative means to enhance the viscosity of major customers while maximize the productivity and efficiency of ship operations.

Fourthly, we will grasp the current golden development opportunities in the LNG industry, 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. In line with the green energy revolution in China and the world, we will continue to vigorously explore new areas such as “new energy, new route, new business” and promote the upgrading of business structure.

Fifthly, we will further strengthen the comprehensive lean management of costs. We will consolidate and expand the results of the fuel lean management project and make adjustments according to market conditions. We will continue to cooperate with COSCO SHIPPING Group to take advantage of scale procurement and comprehensively reduce costs.

Sixthly, we will continue to conduct in-depth research on major issues of the industry and formulate industrial-leading solutions. We will strengthen research on industry development trends and grasp each important window period. We will cooperate with colleges and universities to create platforms for cooperation in production, education and research, so as to enhance the research and development capabilities of the Company.

Seventhly, we will further strengthen talent team building. We will complete the implementation of the equity incentive scheme for further stimulating the creative effectiveness of the core backbone. We will continue to form the corporate culture characterized by “keep running”, and organize and carry out the Company’s key tasks via “Hero Express” activity and project responsibility system, providing the talents with a stage to show their capabilities.

(VII) OTHER MATTERS

1. Changes in Directors, supervisors (the "Supervisors") and senior management of the Company

Mr. Wang Wusheng, one of the independent non-executive Directors of the eighth term of the Board, completed his term of office on January 16, 2018. He no longer serves as an independent non-executive Director, and is no longer a member of the nomination committee, remuneration committee and audit committee.

On 26 February 2018, the Board resolved to appoint Mr. Rui Meng as the chairman of the nomination committee, Mr. Ip Sing Chi as a member of the nomination committee and Mr. Teo Siong Seng as a member of the audit committee.

On February 26, 2018, Ms. Sun Xiaoyan, a deputy general manager of the Company, submitted a resignation letter to the Board and resigned from the position of deputy general manager. The resignation letter became effective upon Board's receipt, and Ms. Sun was no longer associated with any responsibility in the Company.

At the annual general meeting (the "AGM") held on 28 June 2018, the re-election Mr. Huang Xiaowen, Mr. Liu Hanbo and Mr. Lu Junshan as executive Directors, the re-election of Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as non executive Directors and the re-election of Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive Directors were approved by shareholders.

According to the recommendation letter issued by the Labour Union of the Company, Mr. Xu Yifei and Ms. An Zhijuan continued to serve as employee representative Supervisors.

At the AGM held on 28 June 2018, the re-election of Mr. Weng Yi as a Supervisor and the election of Mr. Yang Lei as a Supervisor were approved by shareholders. Details of Mr. Yang Lei's biography are set out in the announcement of the Company dated 28 June 2018. Hence, the ninth term of the supervisory committee consists of Mr. Weng Yi, Mr. Yang Lei and the two employee representative Supervisors, Mr. Xu Yifei and Ms. An Zhijuan.

Mr. Chen Jihong no longer serves as a Supervisor since 28 June 2018.

Saved as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2018, 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%
Prudential plc (4)	H	157,126,000 (L)	12.12%	3.90%
GIC Private Limited (5)	H	129,710,000 (L)	10.01%	3.22%
Eastspring Investments	H	80,206,000 (L)	6.19%	1.99%

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

Note 2: Percentage shown on that as recorded the Section 352 of the SFO register kept by the Company. As at 30 June 2018, 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, Mr. Weng Yi and Mr. Yang Lei 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: Eastspring Investments was a controlled corporation of Prudential plc. Accordingly, Prudential plc was deemed to be interested in the shares which Eastspring Investment was interested in.

Note 5: As at 30 June 2018, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited held the above Shares as an investment manager.

Save as disclosed above, as at 30 June 2018, 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.

3. Directors' and Supervisors' interests in contracts

During the Reporting Period and as at 30 June 2018, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

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

As at 30 June 2018, none of the Directors, Supervisors, chief executive of the Company or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

5. Directors' and Supervisors' rights to acquire shares or debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisor or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement which enables the Directors or Supervisors to acquire such rights in any other body corporate.

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

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

7. Compliance with the Corporate Governance Code

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

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

During the Reporting Period, save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Feng Boming (non-executive Director) and Mr. Zhang Wei (non-executive Director) attended the AGM held on 28 June 2018. However, Ms. Lin Honghua (non-executive Director), Mr. Rui Meng (independent non-executive Director), Mr. Ip Sing Chi (independent non-executive Director), and Mr. Teo Siong Seng (independent non-executive Director) were unable to attend the AGM due to their prior commitments.

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

8. Audit committee

The Board has established an audit committee to review the financial reporting procedures and internal control of the Group and to provide guidance thereto. The audit committee comprises three independent non-executive Directors.

The audit committee has reviewed the interim results of the Company for the Reporting Period.

9. **Remuneration and Appraisal Committee**

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

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

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

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

11. **Employees**

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

As at 30 June 2018, the Group had 7,021 employees (as at 30 June 2017: 6,073). During the Reporting Period, the total staff cost was approximately RMB723 million (for the same period in 2017: approximately RMB678 million).

12. Investor Relations

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

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

13. Events after the Reporting Period

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

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Huang Xiaowen
Chairman

Shanghai, the PRC
29 August 2018

羅兵咸永道

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

What we have audited

The consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 160, which comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statement of profit or loss and other comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the period 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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 identified in our audit are summarised as follows:

- Carrying amount of vessels
- Freight revenue for vessel voyages in progress at period end

KEY AUDIT MATTERS (Continued)

1. Carrying amount of vessels

Refer to notes 2.9 and 3.2 to the consolidated financial statements for the Group's accounting policies and accounting estimates and judgements and refer to note 16 to the consolidated financial statements for detailed disclosures of property, plant and equipment recognised by the Group as at 30 June 2018.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 30 June 2018, the Group has vessels with total net carrying amount of approximately RMB44,855 million. During the period ended 30 June 2018, the Group incurred a loss before tax of RMB96 million due to challenging market conditions, which is considered as possible impairment indicator. For the purpose of the impairment assessment of the vessels, management determined the recoverable amounts of vessels based on value-in-use calculations, which are based on future discounted cash flows of cash-generating units for those vessels. Management is of the opinion that the vessels were not impaired as at 30 June 2018 based on the results of the current period's assessment, which involve significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("TCE") rates, cost inflation rates and discount rates applied to the future cash flows forecasts. We focused on this area because of the significance of carrying amount of vessels and the inherent complexity of management judgements involved in determining the recoverable amounts.	Our procedures in relation to management's impairment assessment of vessels included the following: • assessed whether the future discounted cash flow forecasts have been prepared according to the asset grouped at the lowest level (cash-generating units); • assessed the reasonableness of key input data and assumptions used in future cash flow forecasts by comparing them with historical actual information, management's approved budget and industry reports on the future macro and micro economic outlook; • assessed the discount rates used as compared with comparable companies in the industry and the evaluation by internal specialist; • checked the mathematical accuracy of the value-in-use calculations; • performed sensitivity analysis on key assumptions. Based on the audit procedures performed, we found key judgements and assumptions used in the impairment assessments to be supportable based on the evidence we gathered.

KEY AUDIT MATTERS (Continued)

2. Freight revenue for vessel voyages in progress at period end

Refer to notes 2.21 to the consolidated financial statements for the Group's accounting policies and refer to note 5 to the consolidated financial statements for detailed disclosures of turnover recognised by the Group for the period ended 30 June 2018.

Key Audit Matter	How our audit addressed the Key Audit Matter
For the period ended 30 June 2018, the Group recognised revenue of RMB5,036 million out of which RMB4,447 million was related to freight revenue from oil shipment. The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information. We focused on the recognition of freight revenue at period end due to the complex calculations involved in the estimation of freight revenue for vessel voyages in progress at period end.	Our procedures in relation to management's estimation of freight revenue for vessel voyages in progress at period end included: • evaluated and tested the key controls that management has established in respect of recording freight revenue, focusing on management's controls over the estimate of freight revenue for vessel voyages which were still in progress at period end; • tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer and vendor contracts; • checked the port loading and discharging information (i.e. time and date) from the Group's IT system on a sample basis against the supporting documents such as terminal records; • recomputed the estimated freight revenue and calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records. Based on the audit procedures performed, we found the freight revenue for vessel voyages in progress at period end was supportable based on the evidence we gathered.

OTHER MATTER

The comparative information for the period ended 30 June 2017 has not been audited.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee 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. We report our opinion 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.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2018

	Note	Six months ended 30 June 2018	2017
	41		(Restated)
			(Unaudited)
		RMB'000	RMB'000
Revenue	5	**5,036,166**	4,978,969
Operating costs		**(4,592,288)**	(3,648,918)
Gross profit		**443,878**	1,330,051
Other income and net gains	6	**141,066**	238,441
Marketing expenses		**(7,934)**	(13,875)
Administrative expenses		**(291,363)**	(230,359)
Other expenses		**(20,136)**	(26,620)
Share of profits of associates		**145,556**	125,775
Share of profits of joint ventures		**115,351**	82,887
Finance costs	7	**(622,582)**	(454,216)
(Loss)/profit before tax	8	**(96,164)**	1,052,084
Income tax	9	**(50,456)**	(128,951)
(Loss)/profit for the period		**(146,620)**	923,133
Other comprehensive income/(loss)	12		
Item that will not be reclassified subsequently to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(21,088)**	–
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**63,454**	(194,046)
Fair value gain on available-for-sale financial assets, net of tax		**–**	48,286
Gain/(loss) on cash flow hedges		**97,930**	(75,087)
Hedging gain reclassified to profit or loss	7	**27,797**	25,148
Share of other comprehensive loss of associates		**(8,087)**	(11,563)
Share of other comprehensive income/(loss) of joint ventures		**17,585**	(40,649)
Other comprehensive income/(loss) for the period		**177,591**	(247,911)
Total comprehensive income for the period		**30,971**	675,222

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

For the period ended 30 June 2018

	Note	Six months ended 30 June	
		2018	2017
	41		(Restated)
			(Unaudited)
		RMB'000	RMB'000
(Loss)/Profit for the period attributable to:			
Equity holders of the Company		**(236,894)**	866,246
Non-controlling interests		**90,274**	56,887
(Loss)/Profit for the period		**(146,620)**	923,133
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company		**(122,865)**	622,141
Non-controlling interests		**153,836**	53,081
		30,971	675,222
(Loss)/Earnings per share	14		
			(Restated)
			(Unaudited)
		RMB cents	RMB cents
– Basic and diluted		**(5.88)**	21.48

The accompanying notes from pages 44 to 160 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	30 June 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Investment properties	15	**205,183**	1,136,626
Property, plant and equipment	16	**47,514,441**	44,890,681
Prepaid land lease payments	17	**76,031**	77,221
Goodwill	18	**73,324**	58,168
Investments in associates	19	**2,188,381**	2,217,731
Investments in joint ventures	20	**2,005,577**	2,216,503
Loan receivables	21	**1,196,863**	2,092,689
Available-for-sale investments	22(c)	**–**	395,717
Finacial assets at fair value through other comprehensive income	22(a)	**277,129**	–
Finacial assets at fair value through profit or loss	22(b)	**99,405**	–
Deferred tax assets	23	**48,711**	49,906
		53,685,045	53,135,242
CURRENT ASSETS			
Current portion of loan receivables	21	**13,029**	27,077
Inventories	24	**779,399**	656,220
Contract assets	25	**423,223**	–
Trade and bills receivables	25	**1,298,656**	954,369
Prepayments, deposits and other receivables	26	**1,004,602**	593,533
Tax recoverable		**5,753**	10,536
Pledged bank deposits	27	**855**	100
Cash and cash equivalents	27	**4,652,818**	5,007,654
		8,178,335	7,249,489
CURRENT LIABILITIES			
Trade and bills payables	28	**1,668,451**	1,046,561
Other payables and accruals	29	**888,314**	798,368
Current portion of provision and other liabilities	30	**–**	54,621
Current portion of interest-bearing bank and other borrowings	32	**7,013,426**	6,878,518
Current portion of other loans	33	**33,022**	73,615
Current portion of employee benefits payable	35	**7,299**	12,080
Tax payable		**19,202**	10,880
		9,629,714	8,874,643
NET CURRENT LIABILITIES		**(1,451,379)**	(1,625,154)
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,233,666**	51,510,088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2018

	Note	30 June 2018 RMB'000	31 December 2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	36	**4,032,033**	4,032,033
Reserves	37	**23,566,646**	23,887,607
		27,598,679	27,919,640
Non-controlling interests		**997,473**	342,249
TOTAL EQUITY		**28,596,152**	28,261,889
NON-CURRENT LIABILITIES			
Provision and other liabilities	30	**15,319**	15,318
Derivative financial instruments	31	**297,811**	422,575
Interest-bearing bank and other borrowings	32	**17,720,359**	17,272,227
Other loans	33	**1,114,522**	1,068,853
Bonds payable	34	**3,987,687**	3,985,777
Employee benefits payable	35	**133,140**	130,300
Deferred tax liabilities	23	**368,676**	353,149
		23,637,514	23,248,199
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**52,233,666**	51,510,088

Huang Xiaowen
Director

Liu Hanbo
Director

The accompanying notes from pages 44 to 160 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2018

	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	AFS 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 (Note 41)	-	-	-	-	-	-	-	-	-	-	-	-	-	164,967	164,967
At 1 January 2017 (restated) (unaudited)	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	-	-	-	-	-	-	-	-	-	-	-	866,246	866,246	56,887	923,133
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(199,739)	-	(199,739)	5,693	(194,046)
Fair value gain on AFS	-	-	-	-	-	-	-	-	-	24,626	-	-	24,626	23,660	48,286
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(30,635)	-	-	-	(30,635)	(44,452)	(75,087)
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	10,260	-	-	-	10,260	14,888	25,148
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(11,011)	3,043	-	-	(7,968)	(3,595)	(11,563)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	-	-	(40,649)	-	(40,649)	-	(40,649)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(31,386)	27,669	(240,388)	866,246	622,141	53,081	675,222
Dividends approved in respect of previous period	-	-	-	-	-	-	-	-	-	-	-	(766,086)	(766,086)	-	(766,086)
Accrual of safety fund reserve	-	-	-	-	-	-	50,121	-	-	-	-	(51,964)	(1,843)	1,843	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(36,807)	-	-	-	-	37,323	516	(516)	-
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	1,380	1,380
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,638)	(19,638)
At 30 June 2017 (restated) (unaudited)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	67,347	93,158	(241,535)	26,933	62,367	12,501,637	27,267,817	211,110	27,478,927

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the period ended 30 June 2018

	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	FVOCI 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 2018 (as previously reported)	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
Change in accounting policy (Note 2.3)	-	-	-	-	-	-	-	-	-	(46,055)	46,055	-	6,197	6,197	-	6,197
At 1 January 2018 (restated) (unaudited)	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)	13,428,238	27,925,837	342,249	28,268,086
(Loss)/profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	(236,894)	(236,894)	90,274	(146,620)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	61,338	-	61,338	2,116	63,454
Fair value loss on FVOCI	-	-	-	-	-	-	-	-	-	-	(10,755)	-	-	(10,755)	(10,333)	(21,088)
Net gain on cash flow hedges	-	-	-	-	-	-	-	-	39,955	-	-	-	-	39,955	57,975	97,930
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	11,341	-	-	-	-	11,341	16,456	27,797
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(4,650)	-	-	(785)	-	(5,435)	(2,652)	(8,087)
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	-	-	-	-	17,585	-	17,585	-	17,585
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	46,646	-	(10,755)	78,138	(236,894)	(122,865)	153,836	30,971
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	254	-	-	-	-	-	-	254	553,063	553,317
Dividends approved in respect of previous period	-	-	-	-	-	-	-	-	-	-	-	-	(201,602)	(201,602)	-	(201,602)
Accrual of safety fund reserve	-	-	-	-	-	-	42,460	-	-	-	-	-	(46,143)	(3,683)	3,683	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(66,575)	-	-	-	-	-	67,313	738	(738)	-
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117,600	117,600
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(172,220)	(172,220)
At 30 June 2018	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	38,603	93,158	(159,598)	-	35,300	(177,606)	13,010,912	27,598,679	997,473	28,596,152

The accompanying notes from pages 44 to 160 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB'000	2017 (Restated) (Unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	39	**366,668**	1,937,052
INVESTING ACTIVITIES			
Interest received		**32,757**	57,689
Payments for construction in progress		**(2,071,262)**	(3,339,483)
Purchases of property, plant and equipment		**(14,327)**	(55,207)
Loans to joint ventures		**(48,117)**	(465,561)
Repayment from associates		**33,168**	31,289
Repayment from joint ventures		**933,931**	–
Dividends received from associates		**168,843**	–
Dividends received from joint ventures		**83,984**	29,240
Acquisition of a subsidiary, net of cash acquired	40	**625,229**	–
Compensation to a fellow subsidiary for the decrease in equity under the transition period in respect of disposal of discontinued operation		**–**	(339,143)
Investments in associates		**–**	(150,000)
Decrease in pledged bank deposits		**(755)**	(2)
NET CASH USED IN INVESTING ACTIVITIES		**(256,549)**	(4,231,178)

	Note	Six months ended 30 June 2018 RMB'000	2017 (Restated) (Unaudited) RMB'000
FINANCING ACTIVITIES			
Interest paid		**(415,377)**	(363,508)
Dividends paid		**(87,196)**	(230,514)
Dividends paid to non-controlling interests of subsidiaries		**(430,671)**	(19,636)
Increase in other loans		**154,154**	86,368
Repayment of other loans		**(164,034)**	(3,904)
Increase in interest-bearing bank and other borrowings		**3,034,361**	6,143,445
Repayment of interest-bearing bank and other borrowings		**(2,722,797)**	(3,199,149)
Contribution from non-controlling interests of a subsidiary		**117,600**	1,380
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(513,960)**	2,414,482
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(403,841)**	120,356
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**5,007,654**	6,385,069
Effect of foreign exchange rate changes, net		**49,005**	(49,873)
CASH AND CASH EQUIVALENTS AT 30 JUNE		**4,652,818**	6,455,552

The accompanying notes from pages 44 to 160 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 period, the Company and its subsidiaries (together the "Group") were involved in the following principal activities:

(a) investment holding; and/or

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

(c) vessel chartering; and/or

(d) liquefied natural gas shipping.

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 by the Company and, therefore, it has control over the operating, financing and investing activities of Huahai Petrol.

The aforementioned transaction with Huahai Petrol has been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial information of Huahai Petrol has been incorporated into this consolidated financial statements from 1 January 2017. 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 period from 1 January 2017 to 30 June 2017 have been restated to include the operating results and cash flows of Huahai Petrol. All significant intragroup transactions, balances, income and expenses are eliminated on combination.

In March 2018, the Company entered into a capital contribution agreement to acquire 51% equity interests of COSCO PetroChina SHIPPING Co., Ltd. ("COSCO PetroChina SHIPPING") (Former name: Dalian PetroChina Shipping Co., Ltd.), a group of companies engaged in oil shipment activities, for a consideration of RMB396,551,000. The acquisition of COSCO PetroChina SHIPPING was completed in March 2018 and has been accounted for as an acquisition of a subsidiary. The impact of the acquisition is set out in note 40 to the consolidated financial statements.

The directors of the Company (the "Directors") regard China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the PRC, as being the Company's parent company. The Directors regard China Shipping Group Company Limited as the immediate parent company.

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.

1. CORPORATE INFORMATION (Continued)

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 29 August 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements for the period ended 30 June 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 662.

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

2.2 Basis of preparation

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 2.8);

– certain equity investments that are measured at fair value/Financial assets at fair value through other comprehensive income ("FVOCI")/Financial assets at fair value through profit or loss ("FVPL") (see note 2.12); and

– derivative financial instruments (see note 2.19).

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.

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 are discussed in note 3 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the adoption are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated balance sheet (extract)	**31 December 2017 As originally presented**	**HKFRS9**	**HKFRS15**	**1 January 2018 Restated**
	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS				
Non-current assets				
Available-for-sale investments	395,717	(395,717)	–	**–**
Financial assets at fair value through other comprehensive income (FVOCI)	–	305,233	–	**305,233**
Financial assets at fair value through profit or loss (FVPL)	–	90,484	–	**90,484**
Total non-current assets	53,135,242	–	–	**53,135,242**
Current assets				
Trade and bills receivables	954,369	–	(465,062)	**489,307**
Contract assets	–	–	465,062	**465,062**
Total current assets	7,249,489	–	–	**7,249,489**
Total assets	60,384,731	–	–	**60,384,731**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(a) Impact on the financial statements (Continued)

The adoption of HKFRS 9 and HKRFS 15 does not have material impact on the opening equity and liabilities. Therefore, the adjustment for opening equity or liabilities is not presented.

(b) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

Certain equity investments that were previously classified as available-for-sale financial assets were reclassified to financial assets at FVOCI, certain non-listed investments previously measured at cost under HKAS 39 were reclassified to financial assets at FVPL as at 1 January 2018.

The impact of this change on the Group's equity is as follows:

	Notes	Effect on AFS reserves RMB'000	Effect on FVOCI reserves RMB'000	Retained earnings RMB'000
Ending balance as at 31 December 2017		46,055	–	13,422,041
Reclassify investments from available-for-sale to FVPL	(c)	–	–	6,197
Reclassify investments from available-for-sale to FVOCI	(c)	(46,055)	46,055	–
Opening balance as at 1 January 2018		**–**	**46,055**	**13,428,238**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The Group applies the simplified approach permitted by HKFRS 9 for trade and bills receivables and contract assets, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's trade and bills receivables and contract assets. While cash and cash equivalents, other receivables and financial gurantee are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Equity investments and other financial assets

Classification and Measurement

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Equity investments and other financial assets (Continued)

Classification and Measurement (Continued)

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income/(loss) in the statement of profit or loss as applicable. Impairment loss (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets classified at amortised cost and contract assets and financial guarantee contract. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and bills receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Detail accounting policy of financial assets refer to Note 2.12 and 2.13.

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

With the adoption of HKFRS 15, the Group's recognition basis of freight income from voyage charter has changed from "discharge to discharge" to "loading to discharge".

The Group has elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects as an adjustment to the opening balances of retained profits and trade and other receivables as at 1 January 2018 with the exemption to restate comparative figures. The adoption of HKFRS 15 has no material impact on the financial statements of the Group with the exception of recognition of contract assets.

(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

Since revenue from oil shipment is recognised and categorised on a period-related basis, the first-time application of HKFRS 15 has not had any significant effects in relation to this revenue stream. The method used to measure percentage-of-completion (time proportion method) under HKFRS 15 is from "loading to discharge". A contract asset is recognised for receivables in connection with the percentage of completion for these incompleted shipment on the respective balance sheet date. Contract assets will be transfer to trade receivables when the Group's right to consideration is un-conditional or only conditional on the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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 other than business combination under common control 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 period 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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 HKFRS 9 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.5 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations (Continued)

(a) Business combination involving entities under common control (Continued)

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 period in which they were incurred.

(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 initially measured as the excess of the aggregate of the consideration transferred and value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations (Continued)

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

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.

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 HKFRS 9, 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)

2.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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.

2.7 Investments in associates and joint ventures

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investments in associates and joint ventures (Continued)

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

The requirements of HKFRS 9 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.

2.8 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

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.

2.9 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.

Depreciation is calculated on the straight-line basis to write off the cost 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	3-15 years
Motor vehicles	8 years
Buildings	8-40 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment and depreciation (Continued)

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.

2.10 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.

2.11 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets other than goodwill (Continued)

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 periods. 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.

2.12 Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss)

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(iv) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets

The classification depended on the purpose for which the investments were acquired. Certain available-for-sale financial assets are stated at cost if the fair value cannot be reliably measured.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(iv) Accounting policies applied until 31 December 2017 (Continued)

Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency-translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income

- for other monetary and non-monetary securities classified as available-for-sale in other comprehensive income.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(iv) Accounting policies applied until 31 December 2017 (Continued)

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss- was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

2.13 Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Until 31 December 2017, the Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets were impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derecognition of financial assets

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

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

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.

2.15 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 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.

2.18 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

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:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Derivative financial instruments and hedging (Continued)

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.

2.20 Financial guarantee contracts

Until 31 December 2017, financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

From 1 January 2018, financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition

(a) Revenue from contracts with customers

Revenue are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point of time.

When control of goods or services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

(i) direct measurements of the value of individual services transferred by the Group to the customer, such as units produced or delivered, contract milestones, or surveys of work performed; or

(ii) the Group's efforts or inputs to the satisfaction of the performance obligation.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

The Group do not have any significant variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonuses or royalties. Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

The Group assesses, and includes in the transaction price at contract inception, the amount of variable, consideration to which it expects to be entitled. There is no material contract fulfilment cost or cost of obtaining contracts of the Group.

The following is a description of accounting policy for the revenue streams of the Group:

(i) Revenue from oil shipment

Freight revenue from oil shipment are mainly derived from the operation of international and domestic oil transportation business on voyage charter, recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage on "loading to discharge" basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

(ii) Revenue from vessel chartering

Revenue from vessel chartering are mainly derived from time charter of vessels recognised on a straight-line basis over the period of each charter.

(iii) Other revenue is recognised when the services are rendered.

(b) Other Revenue

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

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

(iii) dividend income, when the shareholders' right to receive payment has been established.

2.22 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)

2.23 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, unless it is clear that both elements should be classified as an operating lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

2.24 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, OCI 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)

2.24 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)

2.24 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.

2.25 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Group's presentation currency and Company's 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 period-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 under "undistributed profits". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividends

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

2.27 Government subsidies

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

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

2.28 Contingent liabilities and contingent assets

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

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

2.29 Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Provisions (Continued)

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.

2.30 Employee benefits

(a) Employee leave entitlements

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

(b) Bonus entitlements

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Employee benefits (Continued)

(d) Retirement benefit costs (Continued)

(i) Defined contribution retirement benefit plans (Continued)

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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Employee benefits (Continued)

(e) Enterprise annuity

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

(f) Termination benefits

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

(g) Housing subsidies

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Segment reporting

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

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

2.33 Events after the reporting period

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Estimated useful lives and residual values of vessels

The Group's major operating assets represent vessels. Management determines the estimated useful lives, residual values and related depreciation expenses for vessels. Management estimates useful lives of vessels by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its vessels by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of vessels are different from the previous estimate.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Estimated useful lives and residual values of vessels (Continued)

Had the useful lives been extended/shortened by 10% from management's estimates as at 30 June 2018 with all other variables held constant, the estimated depreciation expenses of vessels for the period would have been decreased by RMB92,795,000 (six months ended 30 June 2017: RMB79,511,000) or increased by RMB113,416,000 (six months ended 30 June 2017: RMB97,181,000) for the period ended 30 June 2018.

Had the residual values been increased/decreased by 10% from management's estimates as at 30 June 2018 with all other variables held constant, the estimated depreciation expenses of vessels for the period would have been decreased or increased by RMB15,056,000 (six months ended 30 June 2017: RMB13,237,000) for the period ended 30 June 2018.

3.2 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 based on value-in-use calculations which involve significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("TCE") rates, cost inflation rates and discount rates applied to the future cash flows forecasts.

Based on management's best estimates, no impairment losses for vessels was recognised during the period (six months ended 30 June 2017: RMBnil).

3.3 Income taxes, business taxes, value-added taxes and withholding taxes

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business taxes, value-added taxes and withholding 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, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (see note 23).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.3 Income taxes, business taxes, value-added taxes and withholding taxes (Continued)

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the period and deferred income tax liabilities as at 30 June 2018 would have been increased by the same amount of RMB621,642,000 (31 December 2017: RMB708,081,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (see note 23).

3.4 Provision for impairment losses on trade and other receivables, contract assets and loan receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12 month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

As at 30 June 2018, allowance for trade and other receivables, contract assets and loan receivables amounted to RMB41,745,000 (31 December 2017: RMB36,233,000).

3.5 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, management deployment and utilisation plan and information available as at the end of the reporting period while unavoidable costs are estimated based on charterhire payments that the Group is obliged to make under the non-cancellable chartered-in vessel contracts.

As at 30 June 2018, 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, no provision (31 December 2017: RMB54,621,000) for onerous contracts was made (see note 30).

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 2018, the Group adopted the following new standards, amendments, improvement and interpretation to existing HKFRSs below, which are relevant to its operations.

New standards and amendments

HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HKAS 40 (Amendment)	Transfer of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements 2014-2016

HKAS 28 Amendment	Investments in Associates and Joint Ventures
HKFRS 1 Amendment	First time adoption of HKFRS

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers as set out at note 2.3.

4.2 New and amended standards not yet effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group

The HKICPA has issued certain new standards, interpretation and amendments to existing standards which are not yet effective for the year ending 31 December 2018 and have not been early adopted by the Group. The Group will apply these standards, interpretation and amendments to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted, except for the below 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 16 "Leases"

HKFRS 16 leases was issued in May 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In comparison with operating leases under HKAS 17, the combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB4,974,899,000. Payments for short-term and low value leases will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Expect for HKFRS 16, the Group does not expect the adoption of new standards to have significant impact to the Group.

5. 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

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) others

– Others mainly include liquefied natural gas ("LNG") shipping and liquefied petroleum gas ("LPG") shipping.

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.

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 period is set out as follows:

	Six months ended 30 June			
	2018		2017	
	Revenue	**Contribution**	Revenue (Restated) (Unaudited)	Contribution (Restated) (Unaudited)
	RMB'000	**RMB'000**	RMB'000	RMB'000
By principal activity:				
Oil shipment				
– Oil shipment	**4,143,235**	**219,260**	3,785,284	871,552
– Vessel chartering	**304,256**	**(105,373)**	885,269	351,287
	4,447,491	**113,887**	4,670,553	1,222,839
Others	**588,675**	**329,991**	308,416	107,212
	5,036,166	**443,878**	4,978,969	1,330,051
Other income and net gains		**141,066**		238,441
Marketing expenses		**(7,934)**		(13,875)
Administrative expenses		**(291,363)**		(230,359)
Other expenses		**(20,136)**		(26,620)
Share of profits of associates		**145,556**		125,775
Share of profits of joint ventures		**115,351**		82,887
Finance costs		**(622,582)**		(454,216)
(Loss)/Profit before tax		**(96,164)**		1,052,084

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	30 June 2018 RMB'000	31 December 2017 RMB'000
Total segment assets		
Oil shipment	**49,670,327**	42,609,650
Others	**12,193,053**	17,775,081
	61,863,380	60,384,731
Total segment liabilities		
Oil shipment	**24,177,701**	17,605,966
Others	**9,089,527**	14,516,876
	33,267,228	32,122,842

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.

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

As at 30 June 2018, the total net carrying amount of the Group's oil tankers, LNG vessels and LPG vessels were RMB35,601,962,000 (31 December 2017: RMB34,189,840,000), RMB9,138,449,000 (31 December 2017: RMB6,007,601,000) and RMB115,001,000 (31 December 2017: RMB119,179,000) respectively.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	Six months ended 30 June			
	2018		2017	
	Revenue	**Contribution**	Revenue (Restated) (Unaudited)	Contribution (Restated) (Unaudited)
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area:				
Domestic	**1,837,965**	**553,443**	1,525,621	586,927
International	**3,198,201**	**(109,565)**	3,453,348	743,124
	5,036,166	**443,878**	4,978,969	1,330,051
Other income and net gains		**141,066**		238,441
Marketing expenses		**(7,934)**		(13,875)
Administrative expenses		**(291,363)**		(230,359)
Other expenses		**(20,136)**		(26,620)
Share of profits of associates		**145,556**		125,775
Share of profits of joint ventures		**115,351**		82,887
Finance costs		**(622,582)**		(454,216)
(Loss)/profit before tax		**(96,164)**		1,052,084

During the Reporting Period and period ended 30 June 2017, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	Oil shipment RMB'000	Others RMB'000	Total RMB'000
Period ended 30 June 2018			
Additions to non-current assets	**1,259,947**	**593,921**	**1,853,868**
Depreciation and amortisation	**921,578**	**124,724**	**1,046,302**
Loss on disposal of property, plant and equipment, net	**(1)**	**(18)**	**(19)**
Interest income	**52,435**	**14,477**	**66,912**
Period ended 30 June 2017 (restated) (unaudited)			
Additions to non-current assets	2,338,106	755,156	3,093,262
Depreciation and amortisation	837,990	54,587	892,577
Provision for onerous contracts	104,430	80,281	184,711
Loss on disposal of property, plant and equipment, net	(24)	–	(24)
Interest income	18,606	64,580	83,186

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 periods ended 30 June 2018 and 2017.

Major customers

During the Reporting period, management recognised the following 2 (six months ended 30 June 2017: 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:

	Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000 (Restated) (Unaudited)
Customer A	**1,197,572**	1,245,939
Customer B	**754,570**	640,328

6. OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	RMB'000	RMB'000
Other income		
Government subsidies (note)	**28,876**	39,349
Interest income from loan receivables	**50,478**	30,760
Bank interest income	**16,434**	52,426
Rental income from investment properties	**11,342**	12,130
Others	**2,105**	52,474
	109,235	187,139
Other gains/(losses)		
Exchange gains, net	**37,209**	51,326
Fair value gains on equity investments	**2,724**	–
Loss on disposal of property, plant and equipment, net	**(19)**	(24)
Others	**(8,083)**	–
	31,831	51,302
	141,066	238,441

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.

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**495,513**	379,613
– corporate bonds	**102,353**	102,289
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**27,797**	25,148
– Exchange loss, net	**31,804**	36,178
	657,467	543,228
Less: interest capitalised	**(34,885)**	(89,012)
	622,582	454,216

During the Reporting Period, the capitalisation rate for the vessels under construction was at a rate of 3.68% to 3.89% (six months ended 30 June 2017: 2% to 3.46%) per annum.

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**1,729,077**	1,349,709
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**2,863,211**	2,299,209
	4,592,288	3,648,918
Staff costs (including emoluments of directors, supervisors and management (note 10)):		
Wages, salaries, crew expenses and related expenses	**699,129**	638,279
Costs for defined benefit plan (note 35)	**4,550**	2,450
Pension scheme contributions	**19,052**	37,478
Total staff costs	**722,731**	678,207
Operating lease rentals: minimum lease payments	**662,947**	237,700
Auditor's remuneration	**4,514**	3,467
Depreciation of property, plant and equipment	**1,045,112**	891,387
Amortisation of prepaid land lease payments	**1,190**	1,190
Dry-docking and repairs	**124,359**	84,396
Provision for onerous contracts	**–**	184,711
Provision for impairment losses on trade receivables and contract assets	**7,401**	3,307
(Reversal of)/provision for impairment losses on other receivables	**(2,118)**	2,114

9. INCOME TAX

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

	Note	Six months ended 30 June 2018 RMB'000	2017 (Restated) (Unaudited) RMB'000
Current income tax			
PRC	(i)		
– provision for the period		**31,666**	96,474
– under provision in respect of prior periods		**3,621**	21,109
Hong Kong	(ii)		
– provision for the period		**–**	–
– (over)/under provision in respect of prior periods		**–**	–
Other Countries	(iii)		
– provision for the year		**65**	14
		35,352	117,597
Deferred tax		**15,104**	11,354
Total income tax expense		**50,456**	128,951

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% (six months ended 30 June 2017: 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% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits for the period 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.

9. INCOME TAX (Continued)

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

	Six months ended 30 June	
	2018	2017 (Restated) (Unaudited)
	RMB'000	RMB'000
(Loss)/Profit before tax	**(96,164)**	1,052,083
Calculated at a tax rate of 25% (six months ended 30 June 2017: 25%)	**(24,041)**	263,021
Under provision in respect of prior periods, net	**3,621**	21,109
Tax effect of share of profits of associates	**(32,559)**	(35,287)
Tax effect of share of profits of joint ventures	**(1,310)**	(2,791)
Tax effect of income not subject to tax	**(41)**	–
Tax effect of expenses not deductible for tax	**3,070**	3,605
Tax effect of unused tax losses not recognised	**93,024**	–
Tax effect of temporary differences not recognised	**3,294**	2,509
Tax effect of utilisation of tax losses previously not recognised	**(14,043)**	(106,762)
Different tax rates of subsidiaries operating in other jurisdictions	**19,441**	(16,453)
Income tax expense	**50,456**	128,951

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Independent non-executive directors (note 10(a))		
– fees	**538**	600
Executive and non-executive directors (excluded independent non-executive directors) (note 10(b))		
– salaries, allowances and benefits in kind	**690**	664
– pension scheme contributions	**52**	48
	742	712
Supervisors (note 10(b))		
– salaries, allowances and benefits in kind	**498**	511
– pension scheme contributions	**50**	44
	548	555
Senior management		
– salaries, allowances and benefits in kind	**1,731**	2,083
– pension scheme contributions	**158**	185
	1,889	2,268
Total	**3,717**	4,135

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

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

		Six months ended 30 June	
	Note	**2018**	2017
		RMB'000	RMB'000
Mr. Wang Wusheng	(i)	**13**	75
Mr. Ruan Yongping		**75**	75
Mr. Ip Sing Chi		**150**	150
Mr. Rui Meng		**150**	150
Mr. Teo Siong Seng		**150**	150
		538	600

Note:

(i) Retired on 16 January 2018

There were no other emoluments payable to the independent non-executive directors during the period (six months ended 30 June 2017: RMBnil).

10. 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 period 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
Period ended 30 June 2018						
Executive directors						
Mr. Huang Xiaowen	(i)	–	–	–	–	–
Mr. Sun Jiakang	(ii)	–	–	–	–	–
Mr. Liu Hanbo		–	345	–	26	371
Mr. Lu Junshan		–	345	–	26	371
		–	690	–	52	742
Non-executive directors						
Mr. Feng Boming		–	–	–	–	–
Mr. Zhang Wei		–	–	–	–	–
Ms. Lin Honghua		–	–	–	–	–
		–	–	–	–	–
Supervisors						
Mr. Yang Lei	(iii)	–	–	–	–	–
Mr. Chen Jihong	(iv)	–	–	–	–	–
Mr. Xu Yifei		–	285	–	25	310
Ms. An Zhijuan		–	213	–	25	238
Mr. Weng Yi		–	–	–	–	–
		–	498	–	50	548

Note:

(i) Appointed on 10 October 2017

(ii) Resigned on 10 October 2017

(iii) Appointed on 28 June 2018

(iv) Retired on 28 June 2018

10. 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 period 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
Period ended 30 June 2017						
Executive directors						
Mr. Huang Xiaowen	(i)	–	–	–	–	–
Mr. Sun Jiakang	(ii)	–	–	–	–	–
Mr. Liu Hanbo		–	332	–	24	356
Mr. Lu Junshan		–	332	–	24	356
		–	664	–	48	712
Non-executive directors						
Mr. Feng Boming		–	–	–	–	–
Mr. Zhang Wei		–	–	–	–	–
Ms. Lin Honghua		–	–	–	–	–
		–	–	–	–	–
Supervisors						
Mr. Chen Jihong		–	–	–	–	–
Mr. Xu Yifei		–	299	–	22	321
Ms. An Zhijuan		–	212	–	22	234
Mr. Weng Yi		–	–	–	–	–
		–	511	–	44	555

Note:

(i) Appointed on 10 October 2017

(ii) Resigned on 10 October 2017

There were no (six months ended 30 June 2017: no) arrangement under which a director or supervisor waived or agreed to waive any remuneration during the period.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the period included two (six months ended 30 June 2017: two) directors and one (six months ended 30 June 2017: one) supervisor, details of whose emoluments are set out in note 10 to the consolidated financial statements. Details of the emoluments of the remaining two (six months ended 30 June 2017: two) highest paid non-director and non-supervisor individuals for the period were as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**567**	543
Discretionary bonus	**–**	–
Pension scheme contributions	**53**	48
	620	591

The emoluments of the two (six months ended 30 June 2017: two) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals Six months ended 30 June	
	2018	2017
RMBnil to RMB817,737 (six months ended 30 June 2017: RMB883,822) (equivalent to (equivalent to HKD1,000,000)	**2**	2

During the period, no remuneration were paid by the Group to any of the directors, supervisors and senior management or the two highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (six months ended 30 June 2017: RMBnil).

12. OTHER COMPREHENSIVE INCOME/(LOSS)

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

	Before-tax amount RMB'000	Tax effect RMB'000	Net-of-tax amount RMB'000
Period ended 30 June 2018			
Currency translation differences	**63,454**	**–**	**63,454**
Fair value loss on FVOCI	**(28,117)**	**7,029**	**(21,088)**
Net gain on cash flow hedges	**97,930**	**–**	**97,930**
Hedging gain reclassified to profit or loss	**27,797**	**–**	**27,797**
Share of other comprehensive loss of associates	**(8,087)**	**–**	**(8,087)**
Share of other comprehensive income of joint ventures	**17,585**	**–**	**17,585**
	170,562	**7,029**	**177,591**
Period ended 30 June 2017 (restated) (unaudited)			
Currency translation differences	(194,046)	–	(194,046)
Fair value gain on available-for-sale investments	64,381	(16,095)	48,286
Net loss on cash flow hedges	(75,087)	–	(75,087)
Hedging gain reclassified to profit or loss	25,148	–	25,148
Share of other comprehensive loss of associates	(11,563)	–	(11,563)
Share of other comprehensive loss of joint ventures	(40,649)	–	(40,649)
	(231,816)	(16,095)	(247,911)

13. DIVIDENDS

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	RMB'000	RMB'000
Final dividend for 2017 – RMB0.05 (30 June 2017: Final dividend for 2016 – RMB0.19) per share	**201,602**	766,086

Final dividend of RMB0.05 per share in respect of the year ended 31 December 2017 was approved by shareholders at the annual general meeting held on 28 June 2018 and a total amount of RMBnil was paid during the Reporting Period.

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2017: RMBnil).

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of RMB236,894,000 (six months ended 30 June 2017: Profit of RMB866,246,000) and the weighted average number of ordinary shares of 4,032,033 thousand (six months ended 30 June 2017: 4,032,033 thousand) shares in issue during the period.

15. INVESTMENT PROPERTIES

As at 30 June 2018 and 31 December 2017, 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 period are set out below:

	30 June 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the period/year	**1,136,626**	1,104,907
Transfer to property, plant and equipment	**(931,443)**	(1,500)
Net gain on revaluation recognised in profit or loss	**–**	33,219
At the end of the period/year	**205,183**	1,136,626

During the period, the Group reclassified a commercial building from investment properties to property, plant and equipment at the commencement of self-usage. The fair value of the investment properties as at 30 June 2018 and 31 December 2017 have been arrived at on the basis of a valuation carried out by China Tong Cheng and 遼寧恒信. 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 periods.

The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease. As at 30 June 2018 and 31 December 2017, the fair value of their investment properties is based on level 2 fair value hierarchy.

16. 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 30 June 2018							
Cost							
At 1 January 2018	15,179	52,411,200	113,349	31,974	666,662	3,991,849	57,230,213
Additions	–	12,607	520	781	419	1,839,541	1,853,868
Transfer in/(out)	–	4,728,468	127	–	–	(4,728,595)	–
Transfer from investment properties	–	–	–	–	931,443	–	931,443
Acquisition of subsidiaries (Note 40)	11,421	574,184	1,281	400	–	–	587,286
Disposals	–	–	(2,987)	(680)	–	–	(3,667)
Currency translation differences	34	307,235	65	6	–	46,573	353,913
At 30 June 2018	26,634	58,033,694	112,355	32,481	1,598,524	1,149,368	60,953,056
Accumulated depreciation							
At 1 January 2018	14,466	12,094,580	100,622	22,353	107,511	–	12,339,532
Charge for the period	269	1,026,846	2,773	1,174	14,050	–	1,045,112
Disposals	–	–	(2,560)	(487)	–	–	(3,047)
Currency translation differences	24	56,855	131	8	–	–	57,018
At 30 June 2018	14,759	13,178,281	100,966	23,048	121,561	–	13,438,615
Net carrying amount							
At 30 June 2018	11,875	44,855,413	11,389	9,433	1,476,963	1,149,368	47,514,441
At 31 December 2017	713	40,316,620	12,727	9,621	559,151	3,991,849	44,890,681

16. 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 2017							
Cost							
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)
Currency translation differences	(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)
Currency translation differences	(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	1,356	32,730,119	19,837	10,882	580,730	8,917,825	42,260,749

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 30 June 2018, 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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cost	**14,862,819**	13,464,102
Accumulated depreciation	**(1,305,867)**	(1,391,937)
Net carrying amount	**13,556,952**	12,072,165

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

As at 30 June 2018, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see note 32).

During the period, interest expense of RMB34,885,000 (six months ended 30 June 2017: RMB89,012,000) were capitalised in vessel costs during the vessel construction period.

17. 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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the period/year	**77,221**	79,599
Amortisation for the period/year	**(1,190)**	(2,378)
At the end of the period/year	**76,031**	77,221

18. GOODWILL

	RMB'000
Cost	
At 1 January 2018	58,168
Arising upon acquisition of a subsidiary (Note 40)	15,156
At 30 June 2018	73,324
Accumulated impairment losses	
At 1 January 2017, 31 December 2017, 1 January and 30 June 2018	–
Carrying amount	
At 30 June 2018	73,324
At 31 December 2017	58,168

There were two cash generating units ("CGU") in the period 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 separately prepared for goodwill impairment assessment relating to Shenzhen Sanding Oil-Shipping Co., Ltd. of RMB58,168,000 (31 December 2017: 58,168,000) and COSCO PetroChina SHIPPING Of RMB15,156,000 (31 December 2017: RMBnil). 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% (31 December 2017: 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these subsidiaries to exceed their recoverable amount.

19. INVESTMENTS IN ASSOCIATES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,353,276**	1,382,626
Goodwill	**835,105**	835,105
	2,188,381	2,217,731

19. INVESTMENTS IN ASSOCIATES (Continued)

As at 30 June 2018, 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
			2018	2017	**2018**	2017	
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	**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.

19. 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	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current assets	**1,765,301**	1,861,961
Current assets	**612,213**	739,973
Non-current liabilities	**(82,980)**	(83,273)
Current liabilities	**(118,471)**	(169,806)
Net assets	**2,176,063**	2,348,855
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**870,425**	939,542
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,705,530**	1,774,647

	2018 RMB'000	2017 RMB'000
Period ended 30 June		
Revenue	**671,059**	604,363
Profit for the period	**223,653**	198,792
Other comprehensive (loss)/income	**(878)**	1,095
Total comprehensive income for the period	**222,775**	199,887
Dividends received from the associate	**160,000**	180,000

19. INVESTMENTS IN ASSOCIATES (Continued)

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

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**482,851**	443,084
Period ended 30 June		
Aggregate amounts of the Group's share of:		
Profit for the period	**56,095**	46,259
Other comprehensive loss	**(7,779)**	(12,000)
Total comprehensive income for the period	**48,316**	34,259

20. INVESTMENTS IN JOINT VENTURES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,528,472**	1,739,398
Goodwill	**477,105**	477,105
	2,005,577	2,216,503

20. INVESTMENTS IN JOINT VENTURES (Continued)

As at 30 June 2018, 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		Principal activities
			2018	2017	
China LNG Shipping (Holdings) Limited ("CLNG")	Hong Kong Limited liability company	USD425,241,903 (2017: USD421,384,828)	**50%**	50%	Investment holding
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
Sino-Ocean Shipping Co., Ltd. ("Sino-Ocean Shipping") (Note (i))	The PRC Limited liability company	RMB238,772,000	**–**	50%	Oil transportation and vessel chartering
Offshore Oil (Yangpu) Shipping Co., Ltd. ("Yangpu Shipping") (Note (ii))	The PRC Limited liability company	RMB20,000,000	**–**	43%	Oil transportation and vessel chartering

Note: (i) Sino-Ocean Shipping was consolidated into the Group as a resut of the Group's acquisiton of 51% equity interests in COSCO PetroChina SHIPING (see note 40).

(ii) Yangpu Shipping was consolidated into the Group as a result of the Group obtaining concerted action letter from remaining shareholder (see note 40).

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

20. 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	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current assets	**7,433,344**	7,307,837
Current assets	**561,019**	753,732
Cash and cash equivalents	**543,505**	419,599
Other current assets	**17,514**	334,133
Non-current liabilities	**(3,909,536)**	(3,745,173)
Current liabilities	**(315,485)**	(504,318)
Net assets	**3,769,342**	3,812,078
Non-controlling interests	**(731,968)**	(835,318)
	3,037,374	2,976,760
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets	**1,518,687**	1,488,380
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint ventures	**1,995,792**	1,965,485

Period ended 30 June	**2018 RMB'000**	2017 RMB'000
Revenue	**537,871**	544,903
Profit for the period	**258,295**	213,973
Other comprehensive income/(loss)	**37,047**	(248,589)
Total comprehensive income/(loss) for the period	**295,342**	(34,616)
Dividends received from the joint ventures	**53,884**	100,360

20. 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:

	2018	2017
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**9,786**	251,018
Period ended 30 June		
Aggregate amounts of the Group's share of:		
Profit for the period	**9,087**	20,352
Other comprehensive loss	**–**	1
Total comprehensive income for the period	**9,087**	20,353

21. LOAN RECEIVABLES

	Note	**30 June 2018**	31 December 2017
		RMB'000	RMB'000
Loans to associates	(i)	**392,992**	408,733
Loans to joint ventures	(ii)	**816,900**	1,711,033
		1,209,892	2,119,766
Less: current portion		**(13,029)**	(27,077)
Non-current portion		**1,196,863**	2,092,689

Note:

(i) As at 30 June 2018, loans to associates are unsecured, interest-bearing at approximately 4.41% to 5.40% over 3-month London Inter-bank Offered Rate ("Libor") (31 December 2017: approximately 4.41% to 5.40% over 3-month Libor) per annum and repayable in 2030 and 2031.

(ii) As at 30 June 2018 and 31 December 2017, 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 30 June 2018 and 31 December 2017, all loan receivables are denominated in USD.

22(a). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at FVOCI comprise the following investments in listed and unlisted equity:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Listed equity investments in the PRC	275,494	–
Unlisted equity investments	1,635	–
	277,129	–

These investments were classified as available-for-sale in 2017, see (22(c)) below. All of these investments were also held in the previous period.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

During the period, the following (loss)/profit were recognised in other comprehensive income (net of tax).

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
(Loss)/gain recognised in other comprehensive income; 2017 relating to available-for-sale financial assets, (see 22(c) below) Listed equity investments, at fair value	(21,088)	48,286

22(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at FVPL include the following:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Unlisted equity investments in the PRC, at fair value	99,405	–

During the period, the following gains were recognised in profit:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Fair value gains on equity investments at FVPL recognised in other gains; 2017 relating to available-for-sale financial assets (see 22(c) below) Unlisted equity investments, at cost	2,724	–

22(c). FINANCIAL ASSETS PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017)

	30 June 2018 RMB'000	31 December 2017 RMB'000
Listed equity investments in the PRC, at fair value	–	303,612
Unlisted equity investments, at cost	–	92,105
Less: impairment losses	–	–
	–	92,105
	–	395,717

22(c). FINANCIAL ASSETS PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017) (Continued)

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.

23. DEFERRED TAX ASSETS AND LIABILITIES

(a) Components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the period are as follows:

	Tax losses	Provision for assets impairment	Depreciation	Revaluation of assets arising from business combination	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	–	–	52,258	–	52,258
Charge to profit or loss	–	–	–	(2,352)	–	(2,352)
At 31 December 2017 and 1 January 2018	**–**	**–**	**–**	**49,906**	**–**	**49,906**
Charge to profit or loss	**–**	**–**	**–**	**(1,195)**	**–**	**(1,195)**
At 30 June 2018	**–**	**–**	**–**	**48,711**	**–**	**48,711**

23. 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 period are as follows:

	Revaluation of investment properties RMB'000	Fair value change on FVOCI RMB'000	Depreciation RMB'000	Unremitted earnings RMB'000	Revaluation of assets arising from business combination RMB'000	Others RMB'000	Total RMB'000
At 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 and 1 January 2018	**182,086**	**68,581**	**64,658**	**33,092**	**–**	**4,732**	**353,149**
Arising from acquisition of a subsidiary	**–**	**–**	**3,856**	**–**	**4,791**	**–**	**8,647**
Charge/(credit) to profit or loss	**1,132**	**–**	**(2,442)**	**15,015**	**279**	**(75)**	**13,909**
Credit to other comprehensive income	**–**	**(7,029)**	**–**	**–**	**–**	**–**	**(7,029)**
At 30 June 2018	**183,218**	**61,552**	**66,072**	**48,107**	**5,070**	**4,657**	**368,676**

(c) An analysis of the deferred tax balances for the consolidated statement of financial position are disclosed as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets	**48,711**	49,906
Deferred tax liabilities	**(368,676)**	(353,149)
	(319,965)	(303,243)

23. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

(c) An analysis of the deferred tax balances for the consolidated statement of financial position are disclosed as follows: (Continued)

As at 30 June 2018, deferred tax asset in respect of tax losses of RMB3,285,394,000 (31 December 2017: RMB3,503,435,000) 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 RMB3,285,394,000 (31 December 2017: RMB3,442,387,000) that will expire within five years. Other losses may be carried forward indefinitely.

As at 30 June 2018, the unrecognised deferred income tax liabilities were RMB621,642,000 (31 December 2017: RMB708,081,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2018 amounted to RMB2,486,568,000 (31 December 2017: RMB2,832,324,000).

24. INVENTORIES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Bunker oil inventories	**534,527**	426,814
Ship stores and spare parts	**244,872**	229,406
	779,399	656,220

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade and bills receivables from third parties	**756,225**	962,966
Trade receivables from fellow subsidiaries	**7,849**	5,383
Trade receivables from related companies (note)	**554,873**	750
	1,318,947	969,099
Less: allowance for doubtful debts (note 25(b))	**(20,291)**	(14,730)
	1,298,656	954,369
Current contract assets relating to oil shipment contracts	**425,165**	–
Loss allowance (note 25(b))	**(1,942)**	–
Total contract assets	**423,223**	–

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 fellow subsidiaries and related companies are unsecured, non-interest-bearing and under normal credit period as other trade receivables.

As at 30 June 2018, trade and bills receivables of RMB843,917,000 (31 December 2017: RMB513,039,000) are denominated in USD.

(a) 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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 3 months	**619,358**	758,917
4 – 6 months	**521,901**	83,273
7 – 9 months	**21,930**	43,543
10 – 12 months	**37,840**	27,575
1 – 2 years	**95,337**	41,061
Over 2 years	**2,290**	–
	1,298,656	954,369

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

(b) Impairment of trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for both trade receivables and contract assets:

30 June 2018	**Within 6 months RMB'000**	**7 – 12 months RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Expected loss rate	**0.49%**	**3.00%**	**11.20%**	**1.27%**
Gross carrying amount- trade receivables	**1,143,778**	**61,533**	**113,636**	**1,318,947**
Gross carrying amount- contract assets	**425,165**	**–**	**–**	**425,165**
Loss allowance	**7,661**	**1,846**	**12,726**	**22,233**

1 January 2018	Within 6 months RMB'000	7 – 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Expected loss rate	0.84%	2.79%	11.87%	1.52%
Gross carrying amount- trade receivables	382,042	73,158	46,594	501,794
Gross carrying amount- contract assets	467,305	–	–	467,305
Loss allowance	7,157	2,040	5,533	14,730

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

(b) Impairment of trade receivables and contract assets (Continued)

The closing loss allowances for trade receivables and contract assets as at 30 June 2018 reconcile to the opening loss allowances as follows:

	Trade receivables and Contract assets	
	30 June 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the period/year	**14,730**	22,499
Impairment losses recognised/(reversed)	**7,401**	(7,483)
Exchange realignment	**102**	(286)
At the end of the period/year	**22,233**	14,730

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Prepayments	**157,084**	106,810
Deposits and other receivables	**289,654**	248,789
Due from fellow subsidiaries	**373,929**	142,115
Due from associates	**14,105**	13,204
Due from joint ventures	**124,626**	82,945
Due from related companies (note)	**64,716**	21,173
	1,024,114	615,036
Less: impairment of other receivables (note 26(a))	**(19,512)**	(21,503)
	1,004,602	593,533

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The amounts due from fellow subsidiaries, associates, joint ventures and related companies are unsecured, non-interest-bearing and repayable on demand.

As at 30 June 2018, financial assets included in prepayments, deposits and other receivables of RMB140,033,000 (31 December 2017: RMB93,285,000) are denominated in USD.

(a) Impairment of other receivables

The movement of the impairment of other receivables during the period is as follows:

	2018	2017
	RMB'000	RMB'000
At the beginning of the period/year	**21,503**	25,670
Arising from acquisition of a subsidiary	**24**	–
Impairment losses reversed	**(2,118)**	(3,459)
Currency translation differences	**103**	(708)
At the end of the period/year	**19,512**	21,503

Management makes periodic assessment on a portfolio basis on the recoverability of other receivables based on historical settlement records, past experiences and adjusts for forward looking information in determining the impairment of other receivables.

27. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Note	**30 June 2018 RMB'000**	31 December 2017 RMB'000
Pledged bank deposits	(i)	**855**	100
Balances placed with CS Finance	(ii)	**1,501,867**	2,843,338
Balances placed with COSCO Finance Co., Ltd ("COSCO Finance")	(iii)	**631,356**	718,020
Unpledged bank balances and cash		**2,519,595**	1,446,296
Cash and cash equivalents		**4,652,818**	5,007,654
Total bank deposits and cash and cash equivalents		**4,653,673**	5,007,754

27. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

Note:

(i) Pledged bank deposits were held as security for general banking facilities granted by banks to the Group (see note 32) and other bank guarantees.

(ii) CS Finance is an associate of the Company, and balances placed bear interest of prevailing market rates.

(iii) COSCO Finance is a fellow subsidiary of the Company, and balances placed bear interest of prevailing market rates.

As at 30 June 2018, cash and cash equivalents of RMB1,886,076,000 (31 December 2017: RMB1,332,183,000) are denominated in USD.

28. TRADE AND BILLS PAYABLES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade and bills payables to third parties	**926,803**	685,852
Trade payables to immediate holding company	**42**	1,985
Trade payables to fellow subsidiaries	**640,864**	301,427
Trade payables to an associate	**9,827**	3,267
Trade payables to related companies (note)	**90,915**	54,030
	1,668,451	1,046,561

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 30 June 2018, trade and bills payables of RMB585,934,000 (31 December 2017: RMB563,810,000) are denominated in USD.

28. TRADE AND BILLS PAYABLES (Continued)

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 3 months	**867,340**	626,597
4 – 6 months	**426,677**	75,940
7 – 9 months	**32,686**	73,324
10 – 12 months	**62,055**	60,941
1 – 2 years	**84,568**	15,995
Over 2 years	**195,125**	193,764
	1,668,451	1,046,561

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

29. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Other payables	**437,057**	483,180
Accruals	**124,223**	244,160
Dividend payables	**282,668**	19,639
Due to ultimate holding company	**339**	373
Due to immediate holding company	**1,038**	1,100
Due to fellow subsidiaries	**42,989**	49,905
Due to an associate	**–**	1
Due to a joint venture	**–**	10
	888,314	798,368

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.

29. OTHER PAYABLES AND ACCRUALS (Continued)

Other payables and accruals are non-interest-bearing and are normally settled in 1 to 3 months.

As at 30 June 2018, financial liabilities included in other payables and accruals of RMB136,342,000 (31 December 2017: RMB130,604,000) are denominated in USD.

30. PROVISION AND OTHER LIABILITIES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Provision for onerous contracts	**–**	54,621
Others	**15,319**	15,318
	15,319	69,939
Less: current portion	**–**	(54,621)
Non-current portion	**15,319**	15,318

Details of provision for onerous contracts are as follows:

	RMB'000
At 1 January 2018	**54,621**
Utilised during the period	**(52,977)**
Currency translation differences	**(1,644)**
At 30 June 2018	**–**
Less: current portion	**–**
Non-current portion	**–**

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.

31. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2018, the Group had interest rate swap agreements with total notional principal amount of approximately USD542,109,000 (equivalent to RMB3,586,918,000) (31 December 2017: approximately USD554,364,000 (equivalent to RMB3,622,325,000)) which will mature in 2031, 2032 and 2033 (31 December 2017: 2031, 2032 and 2033). 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% (31 December 2017: 3-month Libor plus 2.20%).

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) As at 30 June 2018 and 31 December 2017, details of the interest-bearing bank and other borrowings are as follows:

	Annual effective interest rate (%)	Maturity	30 June 2018 RMB'000	31 December 2017 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 + 5%, Libor + 0.38%, 3-month Libor + 1.15% to 2.15%, 6-month Libor + 0.42% to 1.4%	2019	**1,114,823**	1,216,509
Unsecured	Libor + 0.70% to 1.10%, 3-month Libor + 0.80% to 1.75%, 6-month Libor + 0.70%	2019	**4,511,793**	4,289,599
			5,626,616	5,506,108
(ii) Other borrowings				
Unsecured	10% discount to the PBC Benchmark interest rate, 5% discount to the PBC Benchmark interest rate, 20% discount to the PBC Benchmark interest rate, fixed rate of 3.60%, Libor + 1.1%	2019	**1,386,810**	1,372,410
Interest-bearing bank and other borrowings – current portion			**7,013,426**	6,878,518

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

(a) As at 30 June 2018 and 31 December 2017, details of the interest-bearing bank and other borrowings are as follows: (Continued)

		Annual effective interest rate (%)	Maturity	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current liabilities					
(i) Bank borrowings					
	Secured	20% discount to the PBC Benchmark interest rate, PBC Benchmark interest rate + 5%, 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	**14,795,311**	14,068,254
	Unsecured	PBC Benchmark interest rate, Libor + 1% to 1.7%, 3-month Libor + 0.80% to 1.1%	2019 to 2026	**2,749,198**	2,995,123
				17,544,509	17,063,377
(ii) Other borrowings					
	Unsecured	10% discount to the PBC Benchmark interest rate	2025	**175,850**	208,850
Interest-bearing bank and other borrowings – non-current portion				**17,720,359**	17,272,227

As at 30 June 2018, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 42 (31 December 2017: 39) vessels and 1 (31 December 2017: 4) vessel under construction with total net carrying amount of RMB24,206,561,000 (31 December 2017: RMB19,998,023,000) and RMB386,720,000 (31 December 2017: RMB3,216,511,000) respectively.

As at 30 June 2018, secured bank borrowings of RMB15,724,435,000 (31 December 2017: RMB15,085,062,000) and unsecured bank borrowings of RMB7,260,991,000 (31 December 2017: RMB6,704,422,000) are denominated in USD.

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

(b) As at 30 June 2018 and 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 30 June 2018			
Current portion			
Within one year	**5,626,616**	**1,386,810**	**7,013,426**
Non-current portion			
In the second year	**3,252,221**	**–**	**3,252,221**
In the third to fifth years, inclusive	**4,912,092**	**–**	**4,912,092**
Over five years	**9,380,196**	**175,850**	**9,556,046**
	17,544,509	**175,850**	**17,720,359**
	23,171,125	**1,562,660**	**24,733,785**
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

As at 30 June 2018, included in the current portion of other borrowings represent an amount of RMB1,000,000,000 (31 December 2017: RMB1,000,000,000) and RMB339,410,000 (31 December 2017: RMB339,410,000) which was borrowed from the Company's immediate holding company and ultimate holding company respectively.

33. OTHER LOANS

	Note	30 June 2018 RMB'000	31 December 2017 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	**753,852**	763,151
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	**377,781**	363,259
Petrochina International Co., Limited ("Petrochina International")	(iii)	**15,911**	16,058
		1,147,544	1,142,468
Less: current portion		**(33,022)**	(73,615)
Non-current portion		**1,114,522**	1,068,853

Note:

(i) As at 30 June 2018, other loans amounted to RMB46,381,000 (31 December 2017: RMB51,163,000) 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 30 June 2018, the loan is unsecured, interest-bearing at approximately 6.7% to 6.8% (31 December 2017: approximately 5.24% to 5.40%) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 30 June 2018, other loans amounted to RMB707,471,000 (31 December 2017: RMB711,988,000) 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 30 June 2018, the loan is unsecured, interest-bearing at a weighted average of 3-month Libor plus 2.20% and fixed rate of 4.8% (31 December 2017: 3-month Libor plus 2.20% and fixed rate of 4.8%) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

(ii) As at 30 June 2018, 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 30 June 2018, the loans are unsecured, interest-bearing at a weighted average of 3-month Libor plus 2.20% and fixed rate of 4.8% (31 December 2017: 3-month Libor plus 2.20% and fixed rate of 4.8%) per annum and repayable within 15 years after the aforementioned vessels construction projects are completed.

33. OTHER LOANS (Continued)

Note: (Continued)

(iii) As at 30 June 2018, 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 30 June 2018, the loan is unsecured, interest-bearing at approximately 4.41% to 4.70% over 3-month Libor (31 December 2017: approximately 4.41% to 4.70% over 3-month Libor) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 30 June 2018 and 31 December 2017, all other loans are denominated in USD.

34. BONDS PAYABLE

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the period/year	**3,985,777**	3,982,045
Interest charge	**1,910**	3,732
At the end of the period/year	**3,987,687**	3,985,777

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 2017 RMB'000	Unpaid interest RMB'000	**At 30 June 2018 RMB'000**
3 August 2012	10 years	1,500,000	1,487,100	1,493,290	646	**1,493,936**
29 October 2012	7 years	1,500,000	1,488,600	1,496,636	884	**1,497,520**
29 October 2012	10 years	1,000,000	992,400	995,851	380	**996,231**
		4,000,000	3,968,100	3,985,777	1,910	**3,987,687**

34. BONDS PAYABLE (Continued)

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.

35. EMPLOYEE BENEFITS PAYABLE

	30 June 2018 RMB'000	31 December 2017 RMB'000
Defined benefit plan payable	**138,706**	140,250
Termination benefit payable	**1,733**	2,130
	140,439	142,380
Less: current portion	**(7,299)**	(12,080)
Non-current portion	**133,140**	130,300

35. EMPLOYEE BENEFITS PAYABLE (Continued)

(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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Present value of unfunded obligations	**138,706**	140,250
Less: current portion	**(7,026)**	(11,370)
Non-current portion	**131,680**	128,880

Current portion of defined benefit plan payable represents the amount expected to be paid by the Group in the next 12 months.

(ii) Movements in the present value of the defined benefit plan payable are as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the period/year	**140,250**	150,630
Remeasurement for the year	**–**	(5,670)
Benefits paid	**(6,094)**	(12,910)
Past service cost	**1,750**	3,490
Interest cost	**2,800**	4,710
At the end of the period/year	**138,706**	140,250

The weighted average duration of the defined benefit plan is 9.4 (31 December 2017: 9.7) years.

35. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

(iii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Past service cost	**1,750**	3,490
Net interest on net defined benefit liability	**2,800**	4,710
Total amounts recognised in profit or loss	**4,550**	8,200
Actuarial gain recognised in other comprehensive income	**–**	(5,670)
Total defined benefit costs	**4,550**	2,530

The past service cost and the net interest on net defined benefit liability totalling RMB4,550,000 (31 December 2017: RMB8,200,000) were recognised in the administrative expenses for the period.

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	30 June 2018	31 December 2017
Discount rate	**3.50%**	4.00%
Average annual increase rate of supplemental medical benefits	**5.00%**	5.00%

Mortality rate adopted for the defined benefit plan payable as at 30 June 2018 was based on the China Life Insurance Mortality Table 2010-2013 issued by the China Life Insurance Regulatory Commission of the PRC.

35. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows: (Continued)

The below analysis shows how the defined benefit plan payable would have increased/(decreased) as a result of 0.5% change of discount rate in the significant actuarial assumptions:

	Effect of payable	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Increase in 0.5%	**(6,650)**	(6,510)
Decrease in 0.5%	**7,230**	7,080

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Details of termination benefit payable are as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Termination benefit payable	**1,733**	2,130
Less: current portion	**(273)**	(730)
Non-current portion	**1,460**	1,400

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 30 June 2018 and 31 December 2017 are calculated by management using future cash flow discounting method.

During the period, related costs paid by the Group for the termination benefit payable was RMB436,000 (31 December 2017: RMB1,150,000).

36. ISSUED CAPITAL

	2018		2017	
	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 the beginning and end of the period/year	**4,032,033**	**4,032,033**	4,032,033	4,032,033

37. 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	AFS revaluation reserve RMB'000	FVOCI revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	7,750,215	270,254	(1,796)	2,877,435	93,158	1,019	–	8,373,216	19,363,501
Change in accounting policy (Note 2.3)	–	–	–	–	–	(1,019)	1,019	–	–
Profit for the period	–	–	–	–	–	–	–	1,301,398	1,301,398
Dividends approved in respect of previous period	–	–	–	–	–	–	–	(766,086)	(766,086)
At 31 December 2017 and 1 January 2018	**7,750,215**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**–**	**1,019**	**8,908,528**	**19,898,813**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**128,387**	**128,387**
Dividends approved in respect of previous period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(201,602)**	**(201,602)**
At 30 June 2018	**7,750,215**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**–**	**1,019**	**8,835,313**	**19,825,598**

37. RESERVES (Continued)

(b) The Company (Continued)

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 30 June 2018, before the proposed final dividend, the Company had reserve of RMB8,835,313,000 (31 December 2017: RMB8,908,528,000).

In addition, in accordance with the Company Law of the PRC, an amount of RMB7,750,215,000 (31 December 2017: RMB7,750,215,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

(c) Nature and purposes of reserves

(i) Share premium

Share premium arised from the issuance of shares at prices in excess of their par value.

(ii) Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

37. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(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 reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must be before distribution of a dividend to shareholders.

(vi) Safety fund reserve

According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the period. 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.

37. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(vii) General surplus reserve

When the public welfare fund is utilised, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

(viii) Hedging reserve

Changes in the fair values of derivative financial instruments are to be charged directly and transferred to hedging reserve.

(ix) FVOCI revaluation reserve

The FVOCI revaluation reserve comprises the cumulative net change in the fair value of FVOCI 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.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	30 June 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Investment properties	**357,970**	1,288,913
Property, plant and equipment	**1,480,985**	245,609
Investments in subsidiaries	**16,693,297**	16,296,746
Investments in an associate	**300,000**	300,000
Loan receivables	**8,916,166**	5,565,342
	27,748,418	23,696,610
CURRENT ASSETS		
Current portion of loan receivables	**–**	3,000,000
Inventories	**6,840**	–
Trade and bills receivables	**5,707**	–
Prepayments, deposits and other receivables	**2,729,111**	2,770,324
Cash and cash equivalents	**1,338,484**	2,357,964
	4,080,142	8,128,288
CURRENT LIABILITIES		
Trade and bills payables	**5,948**	–
Other payables and accruals	**2,443,702**	2,376,052
Current portion of interest-bearing bank and other borrowings borrowing	**1,339,410**	1,339,410
Tax payable	**139**	139
	3,789,199	3,715,601
NET CURRENT ASSETS	**290,943**	4,412,687
TOTAL ASSETS LESS CURRENT LIABILITIES	**28,039,361**	28,109,297
EQUITY		
Issued capital	**4,032,033**	4,032,033
Reserves	**19,825,598**	19,898,813
TOTAL EQUITY	**23,857,631**	23,930,846
NON-CURRENT LIABILITIES		
Bonds payable	**3,987,687**	3,985,777
Deferred tax liabilities	**194,043**	192,674
	4,181,730	4,178,451
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**28,039,361**	28,109,297

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before tax to net cash generated from operating activities is as follows:

	Six months ended 30 June	
	2018	2017 (Restated) (Unaudited)
	RMB'000	RMB'000
(Loss)/Profit before tax	**(96,164)**	1,052,084
Adjustments for:		
Finance costs	**622,582**	454,216
Interest income	**(66,912)**	(83,186)
Loss on disposal of property, plant and equipment, net	**19**	24
Provision for impairment losses on trade receivables	**7,401**	3,307
(Reversal of)/provision for impairment losses on other receivables	**(2,118)**	2,114
Depreciation of property, plant and equipment	**1,045,112**	891,387
Amortisation of prepaid land lease payments	**1,190**	1,190
Provision for onerous contracts	**–**	184,711
Share of profits of associates	**(145,556)**	(125,775)
Share of profits of joint ventures	**(115,351)**	(82,887)
Operating profit before working capital changes	**1,250,203**	2,297,185
Increase in inventories	**(95,093)**	(93,957)
increase in trade and bills receivables	**(567,077)**	(23,036)
(increase)/decrease in prepayments	**(46,680)**	130,122
Decrease in deposits and other receivables	**155,050**	67,740
Decrease/(increase) in amounts due from associates	**65,668**	(173,297)
Increase in amounts due from joint ventures	**(61,804)**	(152,778)
Increase in amounts due from fellow subsidiaries	**(231,814)**	(128,091)
Increase in amounts due from related companies	**(43,543)**	(40,624)
Increase/(decrease) in trade and bills payables	**352,854**	(153,198)
(Decrease)/increase in other payables	**(182,017)**	171,353
(Decrease)/increase in accruals	**(119,937)**	94,109
Decrease in amount due to ultimate holding company	**(34)**	–
Decrease in amount due to immediate holding company	**(62)**	(1,000)
(Decrease)/increase in amount due to an associate	**(1)**	4
Decrease in amounts due to joint ventures	**(10)**	(27,202)
(Decrease)/increase in amounts due to fellow subsidiaries	**(6,916)**	349,945
Decrease in provision and other liabilities	**(52,976)**	(165,448)
Decrease in employee benefits payable	**(1,941)**	(4,260)
Cash generated from operations	**413,870**	2,147,567
Income tax paid	**(47,202)**	(210,515)
Net cash generated from operating activities	**366,668**	1,937,052

39. 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 31)	Interest-bearing bank and other borrowings (note 32)	Other loans (note 33)	Bonds payable (note 34)	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	422,575	24,150,745	1,142,468	3,985,777	29,701,565
Changes from financing cash flows:					
Interest paid	(27,797)	(287,137)	–	(100,443)	(415,377)
Increase in interest-bearing bank and other borrowings	–	3,034,361	–	–	3,034,361
Repayment of interest-bearing bank and other borrowings	–	(2,722,797)	–	–	(2,722,797)
Increase in other loans	–	–	154,154	–	154,154
Repayment of other loans	–	–	(164,034)	–	(164,034)
	(27,797)	24,427	(9,880)	(100,443)	(113,693)
Other changes:					
Interest expenses	–	482,778	12,735	102,353	597,866
Accrued interest expenses recorded in other payables and accruals	–	44,031	–	–	44,031
Net change in fair value	(97,930)	–	–	–	(97,930)
Currency translation differences	963	31,804	2,221	–	34,988
	(96,967)	558,613	14,956	102,353	578,955
At 30 June 2018	297,811	24,733,785	1,147,544	3,987,687	30,166,827

40. ACQUISITION OF SUBSIDIARIES

In March 2018, the Group acquired 51% equity interests in COSCO PetroChina SHIPPING, a group of companies engaged in oil shipment activities, for a consideration of RMB396,551,000. With the acquisition, the Group also obtained control of Sino-Ocean Shipping (previously a 50% Joint venture of the Group), by virtue of COSCO PetroChina SHIPPING's control over Sino-Ocean Shipping.

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	396,551
Fair value of net assets acquired shown as below	(381,395)
Goodwill	15,156

The assets and liabilities of the acquired oil shipment operations as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	444,448
Current portion of loan receivables	73,767
Inventories	24,176
Trade and other receivables	106,910
Prepayments, deposits and other receivables	195,308
Cash and cash equivalents	978,382
Trade and other payables	(247,543)
Other payables and accruals	(592,767)
Deferred tax liabilities	(8,647)
Total identifiable net assets acquired	974,034
Less: non-controlling interests	(441,351)
Previously held interests (50% interests in Sino-Ocean Shipping, joint venture of the Group)	(151,288)
	381,395
Purchase consideration settled in cash	(396,551)
Cash and cash equivalents in acquired	978,382
Net cash inflow on acquisition	581,831

40. ACQUISITION OF SUBSIDIARIES (Continued)

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) **Acquired receivables**

The fair value of acquired trade receivables is RMB106,910,000. The gross contractual amount for trade receivables due is RMB106,910,000, none of which is expected to be uncollectible.

(iii) **Non-controlling interests**

The Group recognizes the non-controlling interests in COSCO PetroChina SHIPPING Co., Ltd. at its proportionate share of the acquired net identifiable assets. See note 2.5 for the Group's accounting policies for business combinations.

(iv) **Revenue and profit contribution**

The acquired oil shipment operation contributed approximately RMB231,638,000 revenues and contributed a net profit of approximately RMB12,036,000 for the period ended 30 June 2018 since the date of acquisition. If the acquisition had occurred on 1 January 2018, the Directors of the Company estimate that consolidated revenue and profit for the period ended 30 June 2018 contributed by the acquired entity would have been approximately RMB546,345,000 and approximately RMB22,658,000 respectively.

(v) **Acquisition-related costs**

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

In June 2018, CNOOC Import & Export Co., Ltd. ("CNOOC") entered into a concerted action letter with COSCO SHIPPING Tanker (Dalian) Co., Ltd ("Dalian Tanker"). This letter supports Dalian Tanker to consolidate financial statements of Yangpu Shipping. According to the letter, CNOOC will act in concert with Dalian Tanker on significant issues, such as major business, financing and investment, profit distributions, etc.

40. ACQUISITION OF SUBSIDIARIES (Continued)

The assets and liabilities of the acquired oil shipment operations as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	142,838
Inventories	3,910
Trade and other receivables	17,871
Prepayments, deposits and other receivables	4,120
Cash and cash equivalents	43,398
Trade and other payables	(14,732)
Other payables and accruals	(994)
Current portion of provision and other liabilities	(425)
Total identifiable net assets acquired	195,986
Less: non-controlling interests	(111,712)
	84,274
Net cash inflow on acquisition	43,398

The Group is in the process of performing the valuation on this acquisition.

41. BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

The Group adopts merger accounting for common control combination in respect of the acquisition of subsidiaries ("Acquired Entities") in 2017 as mentioned in note 1. Statements of adjustments for business combinations under common control on the Group's financial position as at 1 January 2017 and the results for the period ended 30 June 2017 are summarised as follows:

	The Group before the Acquired Entities RMB'000	Acquired Entities RMB'000	Adjustments RMB'000	Total RMB'000
At 1 January 2017				
Non-current assets				
Other non-current assets	49,047,361	406,016	(164,386)	49,288,991
Current assets				
Other current assets	2,609,877	26,396	(857)	2,635,416
Cash and cash equivalents	6,364,583	20,486	–	6,385,069
	8,974,460	46,882	(857)	9,020,485
Current liabilities				
Other current liabilities	7,565,202	52,145	(857)	7,616,490
Net current assets/(liabilities)	1,409,258	(5,263)	–	1,403,995
Total assets less current liabilities	50,456,619	400,753	(164,386)	50,692,986
Equity				
Equity attributable to owners of the Company				
Issued capital	4,032,033	57,294	(57,294)	4,032,033
Reserves	23,381,056	272,059	(272,059)	23,381,056
	27,413,089	329,353	(329,353)	27,413,089
Non-controlling interests	9,993	–	164,967	174,960
Total equity	27,423,082	329,353	(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	400,753	(164,386)	50,692,986
Six months ended 30 June 2017 (unaudited)				
Revenues	4,905,703	73,370	(104)	4,978,969
Profit before income tax	1,048,268	4,259	(443)	1,052,084
Income tax expenses	(126,413)	(2,538)	–	(128,951)
Profit for the period	921,855	1,721	(443)	923,133

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% (six months ended 30 June 2017: 19% to 20%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the period amounted to RMB18,925,000 (six months ended 30 June 2017: RMB37,370,000).

(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 period amounted to RMB5,775,000 (six months ended 30 June 2017: RMB10,099,000).

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 period amounted to RMB127,000 (six months ended 30 June 2017: RMB108,000).

43. CONTINGENT LIABILITIES AND GUARANTEE

(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 RMB54,256,120). The guarantee period is limited to 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 USD328,000,000 (equivalent to RMB2,170,244,800). 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 RMB42,346,240).

(iii) Subsequent to the approval by 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 RMB2,497,766,500), 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 (31 December 2017: 1 to 20) years.

As at 30 June 2018, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within one year	**1,552,290**	1,290,351
In the second to fifth years, inclusive	**5,415,074**	3,730,954
Over five years	**18,764,755**	12,452,506
	25,732,119	17,473,811

(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 16 (31 December 2017: 1 to 15) years.

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within one year	**838,861**	659,043
In the second to fifth years, inclusive	**2,513,560**	1,940,591
Over five years	**1,622,478**	1,661,768
	4,974,899	4,261,402

45. CAPITAL COMMITMENTS

	Note	30 June 2018 RMB'000	31 December 2017 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**7,774,702**	9,563,431
Project investments	(ii)	**467,879**	487,255
		8,242,581	10,050,686

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(31 December 2017: RMB298,709,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,043,212,000 (31 December 2017: RMB1,430,809,000).

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

(1) In September 2015, the Company entered into a new services agreement with CHINA SHIPPING which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 28 December 2015. Pursuant to the new services agreement, CHINA SHIPPING Group and its joint ventures will continue to provide the Group with similar materials and services provided for in the services agreement entered into in October 2012 (which related to provide necessary supporting shipping materials and services for the ongoing operations of the transportation business including dry-docking and repair services, supply of lubricating oil, fresh water, raw materials, bunker oil as well as other services for the ongoing operations for all vessels owned or bareboat chartered by the Group) for a further 3 years commencing from 1 January 2016 to 31 December 2018.

46. RELATED PARTY TRANSACTIONS (Continued)

(1) (Continued)

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.

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 period are set out below:

	Six months ended 30 June	
	2018	2017 (Restated) (Unaudited)
	RMB'000	RMB'000
Supply of lubricating oil, fresh water, raw materials, bunker oil, mechanical and electrical engineering, supporting shipping materials and repairs and maintenance services for vessels and life boats	**882,751**	665,055
Oil removal treatment, maintenance, telecommunication and navigational services	**15,911**	9,265
Dry-docking, repairs, special coating and technical improvements of vessels	**28,157**	11,093
Management services of sea crew	**365,392**	296,640
Agency commissions	**25,496**	16,631
Miscellaneous management services	**509**	775

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 will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018. The prices for both the Agreed Supplies and Services I provided by COSCO Shipping Group to Dalian Tanker Group and the Agreed Supplies and Services II provided by Dalian Tanker Group to COSCO Shipping Group will be determined by reference to the prevailing market price and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting material or service at the time in the PRC or overseas (as the case may be) and the price charged to independent third parties by COSCO Shipping Group or Dalian Tanker Group (as the case may be) in the most recent transaction of a similar nature.

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 period are set out below:

	Six months ended 30 June	
	2018	2017 (Restated) (Unaudited)
	RMB'000	RMB'000
Supply of materials and fuels, mainly including fresh water, bunker oil and spare parts	**235,463**	259,210
Telecommunication and navigational services	**24**	1,285
Dry docking, repairs, special coating, technical improvements of vessels	**403**	36
Vessels and shipping agency	**32,920**	2,267
Other miscellaneous management services	**–**	171
Management services of sea crew	**183,317**	–

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 period are set out below:

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	RMB'000	RMB'000
Supply of shipping materials	**4,687**	8,702

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 period are as follows:

	Note	Six months ended 30 June **2018** **RMB'000**	 2017 (Restated) (Unaudited) RMB'000
Shipment income		**8,672**	7,444
Vessel chartering income		**57,786**	54,408
Construction of vessels		**48,633**	59,834
Purchase of material		**–**	939
Vessel management income		**–**	8,460
Vessel management expenses		**17,805**	22,122
Technical services income		**1,102**	–
Technical services expense		**–**	1,822
Rental income, including business tax and surcharge	(i)	**10,610**	14,036
Rental expenses	(i)	**7,546**	7,095
Agency commission expenses		**–**	3,640
Miscellaneous management services expenses		**–**	19
Interest income from associates		**14,224**	16,315
Interest income from joint ventures		**11,628**	14,364
Loan interest payment		**24,243**	1,700
Insurance payment	(ii)	**18,209**	–
Insurance agent service expense		**1,821**	–

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 will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018. Both parties may renew the property lease framework agreement on terms and conditions agreed upon by both parties within three months before the expiration of the property lease framework agreement. The rental income received from and rental expenses paid to CHINA SHIPPING Group and its associates were determined with reference to the prevailing market price.

Other remaining rental income and expenses represented number of transactions during the period.

46. RELATED PARTY TRANSACTIONS (Continued)

(3) (Continued)

Note: (Continued)

The Group has entered into the following agreements: (Continued)

(ii) 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.

(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 three years commencing from 1 January 2019 to 31 December 2021 unless either party chooses not to renew the new financial services framework agreement.

46. RELATED PARTY TRANSACTIONS (Continued)

(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 will be 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 21, 25, 26, 27, 28, 29 and 32 to the consolidated financial statements.

(7) Details of the emoluments of key management personnel, including directors, supervisors and senior management, are included in note 10 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 contract assets 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 period 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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 30 June 2018, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the Reporting Period would have been RMB5,412,000 higher/lower (31 December 2017: RMB6,729,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

(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 30 June 2018 and 31 December 2017.

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 an optimal ratio between fixed and floating rates borrowings.

As at 30 June 2018, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the Reporting Period would have been RMB95,875,000 (31 December 2017: RMB111,606,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(iii) Price risk

As at 30 June 2018, the Group's certain available-for-sale investments amounted nil (31 December 2017: RMB303,612,000), FVOCI amounted to RMB277,129,000 (31 December 2017: RMBnil) and FVPL amounted to RMB99,405,000 (31 December 2017: RMBnil) as disclosed in note 22 to the consolidated financial statements are measured at fair value at the end of each reporting period. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stockholding decisions.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade and bills receivables, contract assets, deposits and other receivables, loan receivables, financial guarantees, 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 contract assets and impairment of other receivables as set out in notes 25 and 26 to the consolidated financial statements.

As at 30 June 2018, trade and bills receivables due from the top five debtors amounted to RMB1,409,405,000 (31 December 2017: RMB214,479,000), representing 15% (31 December 2017: 22%) of the total trade and bills receivables.

The Group has provided lease and corporate guarantees relating to the time charter agreements, ship buildings contracts and bank borrowings in respect of certain associates and joint ventures in their ordinary course of business. The Group controls its credit risk to non-performance by its counterparties through monitoring the credit rating of these counterparties. As at 30 June 2018, the Directors are of the opinion that the credit risk is minimal as the associates and joint ventures have good credit standing.

As at 30 June 2018 and 31 December 2017, 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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.

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately RMB1,451,379,000. As at 30 June 2018, the Group has total unutilised uncommitted and committed credit facilities of approximately RMB9,430,000,000 from banks, the Directors believe that, based on experience to date, it is likely that these facilities will be rolled over in the coming year if required. In preparing the financial statements, the Directors consider the adequacy of cash inflows from operations and financing to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for the coming 12 months. With the cash inflows from operations and available credit facilities and other sources of financing, the Directors consider that the Group will be able to obtain sufficient financing to enable it to operate, as well as to meet its liabilities as and when they become due, and the capital expenditure requirements for the coming 12 months. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

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, except that the amount for derivative financial instruments is the fair value.

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 30 June 2018					
Trade and bills payables	**1,668,451**	**1,668,451**	**1,668,451**	**–**	**–**
Financial liabilities included in other payables and accruals (excluding interest payable)	**578,988**	**578,988**	**578,746**	**–**	**242**
Interest payable in relation to borrowings and bonds	**255,828**	**255,828**	**255,828**	**–**	**–**
Derivative financial instruments	**297,811**	**297,811**	**–**	**–**	**297,811**
Interest-bearing bank and other borrowings	**24,733,785**	**28,498,443**	**8,003,269**	**4,024,834**	**16,470,340**
Other loans	**1,147,545**	**1,463,818**	**90,457**	**93,539**	**1,279,822**
Bonds payable	**3,987,687**	**4,684,225**	**202,550**	**1,664,675**	**2,817,000**
	32,670,095	**37,447,564**	**10,799,301**	**5,783,048**	**20,865,215**
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

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

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 30 June 2018				
Financial assets:				
Financial assets at fair value through other comprehensive income	**275,494**	**–**	**1,635**	**277,129**
Financial assets at fair value through profit or loss	**–**	**–**	**99,405**	**99,405**
	275,494	**–**	**101,040**	**376,534**
Financial liabilities:				
Derivative financial instruments	**–**	**297,811**	**–**	**297,811**
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

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 period ended 30 June 2018 and 31 December 2017, 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 other unlisted financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/earnings multiple method and direct market quote). The inputs are mainly price/earnings multiples. Discount rates ranging from 20% to 30% are applied to compute the fair value on top of market price/earnings multiples.

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 amortised cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017.

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 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Total debts	**29,869,016**	29,278,990
Less: cash and cash equivalents	**(4,652,818)**	(5,007,654)
Net debt	**25,216,198**	24,271,336
Total equity	**28,596,152**	28,261,889
Net debt-to-equity ratio	**88%**	86%

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 30 June 2018, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2018	2017	2018	2017	
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
Offshore Oil (Yangpu) Shipping Co., Ltd.	The PRC Limited liability company	RMB20,000,000	Ordinary	-	-	43%	43%	Oil transportation and vessel chartering
Huahai Petrol (note)	The PRC Limited liability company	RMB56,879,168	Ordinary	50%#	50%#	-	-	Oil transportation and vessel chartering
COSCO PetroChina SHIPPING Co., Ltd. (Former name: Dalian PetroChina Shipping Co., Ltd.)	The PRC Limited liability company	RMB219,640,800	Ordinary	51%	-	-	-	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
China Energy	Hong Kong Limited liability company	USD5,000,000	Ordinary	-	-	51%	51%	Investment holding
USA Tanker	The United States of America Limited liability company	USD400,000	Ordinary	80%	80%	-	-	Provision of agency services

Note: The subsidiary was consolidated into the Group due to business combination involving entities under common control during the financial year 2017 (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 period 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. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of the application of merger accounting due to the business combination involving entities under common control.