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COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.*
中遠海運能源運輸股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1138)

2018 INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by approximately 1.15% to approximately RMB5,036 million
- Loss for the period attributable to owners of the Company was approximately RMB237 million
- The basic and diluted loss per share for the period were RMB5.88 cents

The board (the “**Board**”) of directors (the “**Directors**”) of COSCO SHIPPING Energy Transportation Co., Ltd.* (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (together referred to as the “**Group**”) for the six months ended 30 June 2018 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2017. The Group’s interim results have been audited by PricewaterhouseCoopers (羅兵咸永道會計師事務所) (Certified Public Accountants in Hong Kong), the Company’s international auditor.

I. PRINCIPAL FINANCIAL DATA AND STATISTICS HIGHLIGHTS

The interim results of the Group for the Reporting Period as audited by PricewaterhouseCoopers and compared with those for the corresponding period in 2017 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2018

		Six months ended 30 June	
	Note	2018	2017
	1		(Restated)
		RMB'000	(Unaudited) RMB'000
Revenue	4	5,036,166	4,978,969
Operating costs		<u>(4,592,288)</u>	<u>(3,648,918)</u>
Gross profit		443,878	1,330,051
Other income and net gains	5	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	6	<u>(622,582)</u>	<u>(454,216)</u>
(Loss)/profit before tax		(96,164)	1,052,084
Income tax	7	<u>(50,456)</u>	<u>(128,951)</u>
(Loss)/profit for the period		<u>(146,620)</u>	<u>923,133</u>
Other comprehensive income/(loss)			
<i>Item that will not be reclassified subsequently to profit or loss, net of tax:</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(21,088)	—
<i>Items that may be reclassified subsequently to profit or loss, net of tax:</i>			
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		27,797	25,148
Share of other comprehensive loss of associates		(8,087)	(11,563)
Share of other comprehensive income/(loss) of joint ventures		<u>17,585</u>	<u>(40,649)</u>
Other comprehensive income/(loss) for the period		<u>177,591</u>	<u>(247,911)</u>
Total comprehensive income for the period		<u><u>30,971</u></u>	<u><u>675,222</u></u>

	Six months ended 30 June	
	2018	2017
<i>Note</i>		(Restated)
<i>1</i>		(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period attributable to owners of the Company	<u>(236,894)</u>	<u>866,246</u>
Profit for the period attributable to non-controlling interests	<u>90,274</u>	<u>56,887</u>
(Loss)/profit for the period	<u>(146,620)</u>	<u>923,133</u>
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the Company	(122,865)	622,141
Non-controlling interests	<u>153,836</u>	<u>53,081</u>
	<u>30,971</u>	<u>675,222</u>
(Loss)/earnings per share	<i>9</i>	(Restated)
		(Unaudited)
	<i>RMB cents</i>	<i>RMB cents</i>
– Basic and diluted	<u>(5.88)</u>	<u>21.48</u>

Details of the dividends for the Reporting Period are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the period ended 30 June 2018

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.

Since 1 July 2017, the Group recognised Huahai Petrol Transportation & Trading Co., Limited (“**Huahai Petrol**”) as its subsidiary by virtue of dominant voting interest obtained from the Company and, therefore, it has control over the operating, financing and investing activities of Huahai Petrol.

The aforementioned transaction with Huahai Petrol have been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by 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 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.

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.

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:

- investment properties;
- certain available-for-sale 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**”); and
- derivative financial instruments.

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.

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

(a) New standard and amendments to standards 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 below.

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 in note (i), (ii), (iii) and (iv) below.

Condensed consolidated balance sheet(extract)	31 December 2017			1 January 2018	
	As originally presented RMB'000	HKFRS9 RMB'000	HKFRS15 RMB'000	Restated 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	<u>53,135,242</u>	<u>–</u>	<u>–</u>	<u>53,135,242</u>	
Current assets					
Trade and bills receivables	954,369	–	(465,062)	489,307	
Contract assets	–	–	465,062	465,062	
Total current assets	<u>7,249,489</u>	<u>–</u>	<u>–</u>	<u>7,249,489</u>	
Total assets	<u><u>60,384,731</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>60,384,731</u></u>	

The adoption of HKFRS 9 and HKFRS 15 does not have material impact on the opening equity and liabilities. Therefore, no adjustment for opening equity or liabilities is presented.

(i) 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 in note (ii) below. In accordance with the transitional provisions 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 restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group has elected to present in other comprehensive income and profit or loss, changes in the fair value of all its equity investments previously classified as available-for-sale financial assets. Certain equity investments were reclassified to financial assets at FVOCI, certain non-listed investments previously measured at cost under IAS 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:

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

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 guarantee are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) 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).
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual term 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 investment in OCI and profit or loss, 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.

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.

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.

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. 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.

(iii) *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 impact on the financial statements of the Group with the exception of recognition of contract assets.

(iv) *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 currently used to measure percentage-of-completion (time proportion method) continues to be used under HKFRS 15. A contract asset is recognised for receivables in connection with the percentage of completion for these incompleting shipment on the respective balance sheet date.

(b) 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.

HKFRS 16 "Leases"

HKFRS 16 Leases was issued in May 2016. It will result in almost all leases being recognised 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.

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.

4. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

- (i) oil shipment
 - oil shipment
 - vessel chartering

(ii) others

- others mainly include liquefied natural gas shipping and liquefied petroleum 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 Reporting Period is set out as follows:

	Six months ended 30 June			
	2018		2017	
	Revenue	Contribution	Revenue	Contribution
			(Restated)	(Restated)
			(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>5,036,166</u>	<u>443,878</u>	<u>4,978,969</u>	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		<u>(96,164)</u>		<u>1,052,084</u>

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

The accounting policies of the reportable segments are the same as the Group's accounting. 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, liquefied natural gas ("LNG") vessels and liquefied petroleum gas ("LPG") vessels were RMB35,601,962,000 (31 December 2017: RMB 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.

Geographical segments

	Six months ended 30 June			
	2018		2017	
	Revenue	Contribution	Revenue	Contribution
			(Restated) (Unaudited)	(Restated) (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
By geographical area:				
Domestic	1,837,965	553,443	1,525,621	586,927
International	<u>3,198,201</u>	<u>(109,565)</u>	<u>3,453,348</u>	<u>743,124</u>
	<u>5,036,166</u>	<u>443,878</u>	<u>4,978,969</u>	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		<u>(622,582)</u>		<u>(454,216)</u>
(Loss)/profit before tax		<u>(96,164)</u>		<u>1,052,084</u>

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.

Other information

	Oil shipment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>52,435</u>	<u>14,477</u>	<u>66,912</u>
Period ended 30 June 2017 (restated and 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	<u>18,606</u>	<u>64,580</u>	<u>83,186</u>

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	2017
		(Restated)
		(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	1,197,572	1,245,939
Customer B	<u>754,570</u>	<u>640,328</u>

5. OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Government subsidies (<i>note</i>)	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	<u>2,105</u>	<u>52,474</u>
	<u>109,235</u>	<u>187,139</u>
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	<u>(8,083)</u>	<u>—</u>
	<u>31,831</u>	<u>51,302</u>
	<u>141,066</u>	<u>238,441</u>

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.

6. FINANCE COSTS

		Six months ended 30 June	
		2018	2017
			(Restated)
			(Unaudited)
		<i>RMB'000</i>	<i>RMB'000</i>
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 June 30 2017: 2% to 3.46%) per annum.

7. INCOME TAX

		Six months ended 30 June	
		2018	2017
			(Restated)
			(Unaudited)
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
Current income tax			
PRC	(i)		
– provision for the year		31,666	96,474
– under provision in respect of prior years		3,621	21,109
Hong Kong	(ii)		
– provision for the year		–	–
– (over)/under provision in respect of prior years		–	–
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% (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 June 30 2017: 16.5%) on the estimated assessable profits for the Reporting 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.

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
		(Restated)
		(Unaudited)
	RMB'000	RMB'000
Dividends recognised and paid as distribution during the Reporting Period:		
Final dividend for 2017 – RMB0.05 (six months ended 30 June 2017: for 2016 – RMB0.19) per share	<u>201,602</u>	<u>766,086</u>

Final dividend of RMB0.05 per share in respect of the period ended 30 June 2017 was approved by independent shareholders at the annual general meeting held on 28 June 2018 and a total amount of RMB201,602,000 was paid during the reporting period.

9. (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 June 30 2017: RMB866,245,000) and the weighted average number of ordinary shares of 4,032,033 thousand (six months ended June 30 2017: 4,032,033 thousand) shares in issue during the period.

10. 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.

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

(1) International Oil Shipping Market

The Time Charter Equivalent (“TCE”) level in the international crude oil shipping market in the first half of 2018 fell to a historical low for nearly two decades. From the demand perspective, the further efforts on production cuts made by 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, 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 sulfur emissions 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, the freight rates continued to fluctuate at low level as it took time to digest the substantial new capacity over the past two years. The freight rate of the very large crude carrier (“VLCC”) Middle East-China (TD3C) shipping route was only WS 43.22, 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%.

Vessel Type	TCE(USD/day)		
	In the first half of 2018	In the first half of 2017	Increase/ (decrease)
VLCC Middle East-Far EastTD3C	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, 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 of the PRC continued to rise rapidly, reaching 23.663 million tons, an increase of 51.3%. 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 160,000m³ LNG carrier spot market was USD61,692/day, up about 64% year-on-year, and the daily TCE of the 160,000m³ DFDE (dual fuel electric propulsion) LNG carrier spot market reached USD90,000/day in June, the highest since the beginning of 2014.

2. MAJOR OPERATING CONDITIONS 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 25.8%. The net profit attributable to shareholders of listed companies was RMB-236.8 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 (percentage points)
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	
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 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 (percentage points)
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	
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 Company Limited (“**PetroChina**”), leading domestic product oil shipping with the revenue from domestic

oil shipping business increased by 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 Contract of Affreightment (“COA”) in relation to the China-Myanmar crude oil pipeline project, a “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 capital increase and holding, and became a leading enterprise in the field of product oil shipping in the domestic market.

- (a) COSCO SHIPPING Oil Transportation 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) Adhere 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) Give 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 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	In the first	Increase/	Composition
	half of 2018	half of 2017	(decrease)	ratio in the
	(RMB'000)	(RMB'000)	(%)	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	<u>4,592,288</u>	<u>3,648,918</u>	<u>25.9</u>	<u>100.0</u>

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 25.8%, which was lower than the year-on-year increase in operating capacity by 17%.

- (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

3. 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 six months ended 30 June 2017.

(2) Capital commitments

		30 June 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
	<i>Note</i>		
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
		<u>8,242,581</u>	<u>10,050,686</u>

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 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 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 (<i>note</i>)	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	–
	<u>1,298,656</u>	<u>954,369</u>

(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 (<i>note</i>)	90,915	54,030
	<u>1,668,451</u>	<u>1,046,561</u>

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	<u>195,125</u>	<u>193,764</u>
	<u>1,668,451</u>	<u>1,046,561</u>

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	<u>15,319</u>	<u>15,318</u>
	15,319	69,939
Less: current portion	<u>–</u>	<u>(54,621)</u>
Non-current portion	<u>15,319</u>	<u>15,318</u>

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 be matured 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	<u>4,511,793</u>	<u>4,289,599</u>
	5,626,616	5,506,108
(ii) Other borrowings		
Unsecured	<u>1,386,810</u>	<u>1,372,410</u>
Interest-bearing bank and other borrowings – current portion	<u><u>7,013,426</u></u>	<u><u>6,878,518</u></u>
Non-current liabilities		
(i) Bank borrowings		
Secured	14,795,311	14,068,254
Unsecured	<u>2,749,198</u>	<u>2,995,123</u>
	17,544,509	17,063,377
(ii) Other borrowings		
Unsecured	<u>175,850</u>	<u>208,850</u>
Interest-bearing bank and other borrowings – non-current portion	<u><u>17,720,359</u></u>	<u><u>17,272,227</u></u>

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) vessels 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.

(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	<u>1,910</u>	<u>3,732</u>
At the end of the period/year	<u>3,987,687</u>	<u>3,985,777</u>

(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 20 years which represented the lease period of each LNG vessel leased by the 4 Associates.

- (ii) At the 2014 seventh Board meeting held on 30 June 2014, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by 3 joint ventures of the Group for the Yamal LNG project (the “**3 Joint Ventures**”). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to 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 independent shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “**Banks**”), to the extent of amount of USD377.5 million (equivalent to RMB2,497,766,500), 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 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 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 optimum 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 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.

4. OTHERS

(1) Fleet Expansion Projects

During the first half of 2018, the Group has 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, in which RMB1.44 billion was for Oil Tankers and RMB0.52 billion was for 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 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	Deadweight tonnes/Cubic metres ('000)	Average age (years)
Oil Tankers	132	18,173	7.7
LPG vessels	5	15	11.3
LNG vessel (<i>note</i>)	<u>6</u>	<u>1,045</u>	<u>0.9</u>
Total	<u><u>143</u></u>	<u><u>18,188/1,045</u></u>	<u><u>8.3</u></u>

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

5. OUTLOOK AND HIGHLIGHTS FOR 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. 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 OECD countries 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 International Energy Agency'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 agency 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.

III. OTHER MATTERS

1. EVENTS AFTER THE REPORTING PERIOD

The Group does not have other significant events after the end of the Reporting Period.

2. 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.

During the Reporting Period, 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. 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.

3. 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.

4. 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.

5. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”) AS SET OUT IN APPENDIX 10 TO THE LISTING RULES

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

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

6. 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 good 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. During the Reporting Period, the total staff cost was approximately RMB723 million.

7. 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.

8. Supplementary information to be published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company

In accordance with the requirements of the Listing Rules, details of the Group’s financial and related information will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.coscoshippingenergy.com).

The financial information set out above does not constitute the Company’s statutory financial statements for the Reporting Period and the six months ended 30 June 2017, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the Reporting Period, which will contain an unqualified auditors’ report, will be delivered to the Companies Registry, and delivered to shareholders of the Company as well as made available on the Company’s website.

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

Shanghai, the PRC
29 August 2018

As at the date of this announcement, the Board comprises Mr. Huang Xiaowen, Mr. Liu Hanbo and Mr. Lu Junshan as executive Directors, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as non-executive Directors, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive Directors.

* *For identification purposes only*