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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenues of the Group increased by approximately 27% to approximately RMB12,100 million
- Profit for the period attributable to owners of the Company was approximately RMB75 million
- The basic and diluted earnings per share for the period were RMB1.85 cents

The board (the "**Board**") of directors (the "**Directors**") of COSCO SHIPPING Energy Transportation Co., Ltd.* (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018**	2017
	1		(Restated)
		RMB'000	*RMB'000*
Revenues	*4*	**12,099,685**	9,504,935
Operating costs		**(10,304,074)**	(7,251,227)
Gross profit		**1,795,611**	2,253,708
Other income and net gains	*5*	**221,919**	878,734
Marketing expenses		**(22,805)**	(29,206)
Administrative expenses		**(770,338)**	(633,986)
Other expenses		**(31,761)**	(53,781)
Share of profits of associates		**276,245**	266,902
Share of profits of joint ventures		**231,906**	151,591
Finance costs	*6*	**(1,287,714)**	(778,949)
Profit before tax		**413,063**	2,055,013
Income tax	*7*	**(119,657)**	(161,644)
Profit for the year		**293,406**	1,893,369
Other comprehensive income/(loss)			
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, net of tax		**(30,622)**	–
Remeasurement of defined benefit plan payable		**(11,630)**	5,670
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		**343,201**	(455,439)
Fair value gain on available-for-sale financial assets, net of tax		**–**	87,051
Gain/(loss) on cash flow hedges		**33,929**	(16,600)
Hedging gain reclassified to profit or loss		**56,139**	44,553
Share of other comprehensive loss of associates		**(2,553)**	(8,476)
Share of other comprehensive income/(loss) of joint ventures		**76,449**	(91,988)
Other comprehensive income/(loss) for the year		**464,913**	(435,229)
Total comprehensive income for the year		**758,319**	1,458,140

	Note	2018	2017
	1		(Restated)
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Equity holders of the Company		**74,679**	1,774,648
Non-controlling interests		**218,727**	118,721
Profit for the year		**293,406**	1,893,369
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**505,429**	1,272,515
Non-controlling interests		**252,890**	185,625
		758,319	1,458,140
Earnings per share	*9*		
			(Restated)
		RMB cents	*RMB cents*
– Basic and diluted		**1.85**	44.01

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	31 December 2018	31 December 2017 (Restated)
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investment properties	**21,286**	1,136,626
Property, plant and equipment	**49,330,845**	44,891,193
Prepaid land lease payments	**74,842**	77,221
Goodwill	**73,325**	58,168
Investments in associates	**2,363,511**	2,217,731
Investments in joint ventures	**2,844,733**	2,216,503
Loan receivables	**1,447,227**	2,092,689
Available-for-sale investments	**–**	395,717
Financial assets at fair value through other comprehensive income	**268,278**	–
Deferred tax assets	**47,568**	49,906
	56,471,615	53,135,754
CURRENT ASSETS		
Current portion of loan receivables	**13,137**	27,077
Inventories	**926,847**	656,220
Contract assets	**1,057,468**	–
Trade and bills receivables	**752,110**	954,378
Prepayments, deposits and other receivables	**722,721**	593,551
Tax recoverable	**3,587**	10,536
Pledged bank deposits	**858**	100
Cash and cash equivalents	**3,467,924**	5,011,256
	6,944,652	7,253,118
CURRENT LIABILITIES		
Trade and bills payables	**1,454,436**	1,046,561
Contract liabilities	**59,528**	–
Other payables and accruals	**731,296**	798,647
Current portion of provision and other liabilities	**–**	54,621
Current portion of interest-bearing bank and other borrowings	**7,036,564**	6,878,518
Current portion of other loans	**67,493**	73,615
Current portion of bonds payable	**1,498,439**	–
Current portion of employee benefits payable	**11,890**	12,080
Tax payable	**21,930**	11,139
	10,881,576	8,875,181
NET CURRENT LIABILITIES	**3,936,924**	1,622,063
TOTAL ASSETS LESS CURRENT LIABILITIES	**52,534,691**	51,513,691

	31 December 2018	31 December 2017 (Restated)
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Shared capital	**4,032,033**	4,032,033
Reserves	**24,159,587**	23,891,210
	28,191,620	27,923,243
Non-controlling interests	**1,080,578**	342,249
TOTAL EQUITY	**29,272,198**	28,265,492
NON-CURRENT LIABILITIES		
Provision and other liabilities	**15,320**	15,318
Derivative financial instruments	**352,382**	422,575
Interest-bearing bank and other borrowings	**18,786,375**	17,272,227
Other loans	**1,109,592**	1,068,853
Bonds payable	**2,491,252**	3,985,777
Employee benefits payable	**141,750**	130,300
Deferred tax liabilities	**365,822**	353,149
	23,262,493	23,248,199
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**52,534,691**	51,513,691

Notes:

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 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.

During the Reporting 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 and liquefied petroleum gas shipping.

In accordance with the asset transfer agreement entered into between the Company and a fellow subsidiary in December 2018, the Company acquired 100% equity interest in China Shipping LNG Shipping Management (Shanghai) Co., Limited ("**LNG Shipping Management**")by way of capital contribution of RMB3,253,400. The acquisition of LNG Shipping Management was completed by the end of 2018 and has been accounted for as combination of businesses under common control since the Directors consider that the Company and the fellow subsidiary are under common control of China COSCO SHIPPING Corporation Limited ("**COSCO Shipping**"), a state-owned enterprise established in the PRC both before and after the above mentioned acquisition.

The aforementioned acquisition of LNG Shipping Management has been accounted for using the principles of merger accounting, as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The financial information of LNG Shipping Management has been incorporated into these consolidated financial statements. As a result, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of LNG Shipping Management. The consolidated statements of financial position as at 31 December 2017 and 1 January 2017 have been restated to include the assets and liabilities of LNG Shipping Management. Respective notes to the consolidated financial statements have also been restated. 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**") (formerly known as 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 regard COSCO SHIPPING 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 on 27 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by 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 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 Restated** *RMB'000*	**HKFRS9** *RMB'000*	**HKFRS15** *RMB'000*	**01 January 2018 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)	—	309,030	—	309,030
Financial assets at fair value through profit or loss (FVPL)	—	92,884	—	92,884
Total non-current assets	53,135,754	6,197	—	53,141,951
Current assets				
Trade and bills receivables	954,378	—	(465,062)	489,316
Contract assets	—	—	465,062	465,062
Total current assets	7,253,118	—	—	7,253,118
Total assets	60,388,872	6,197	—	60,395,069
Current liabilities				
Other payables and accruals	798,647	—	(13,033)	785,614
Contract liabilities	—	—	13,033	13,033
Total current liabilities	8,875,181	—	—	8,875,181
Total liabilities	32,123,380	—	—	32,123,380
EQUITY				
Reserves	23,891,210	6,197	—	23,897,407
Total equity	28,265,492	6,197	—	28,271,689

(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 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.

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:

	Available-for-sale-investments revaluation reserves	**FVOCI reserve**	**Retained earnings**
	RMB'000	*RMB'000*	*RMB'000*
Ending balance as at 31 December 2017 (Restated)	46,055	—	13,420,644
Reclassify investments from available-for-sale to FVPL	—	—	6,197
Reclassify investments from available-for-sale to FVOCI	(46,055)	46,055	—
Opening balance as at 1 January 2018	—	46,055	13,426,841

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, gain and loss 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 gain and loss on equity investment in OCI, there is no subsequent reclassification of fair value gain and loss 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 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

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.

(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 incompleted shipment on the respective balance sheet date. A contract liability is recognised for to advance from customers with contracts.

(b) New standards interpretations which have not been adopted

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:

HKFRS 16 "Leases"

HKFRS 16 will affect primarily the accounting for the Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management considers the operating lease commitments will result in the recognition of an asset and a liability for future payments and will affect the Group's results and classification of cash flows. The impact of adoption will be disclosed in the interim report 2019.

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 gas 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:

	2018		2017	
	Revenue	**Contribution**	Revenue (Restated)	Contribution (Restated)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment				
– Oil shipment	**9,999,527**	**1,016,539**	7,257,758	1,416,349
– Vessel chartering	**788,766**	**77,164**	1,486,470	491,844
	10,788,293	**1,093,703**	8,744,228	1,908,193
Others	**1,311,392**	**701,908**	760,707	345,515
	12,099,685	**1,795,611**	9,504,935	2,253,708
Other income and net gains		**221,919**		878,734
Marketing expenses		**(22,805)**		(29,206)
Administrative expenses		**(770,338)**		(633,986)
Other expenses		**(31,761)**		(53,781)
Share of profits of associates		**276,245**		266,902
Share of profits of joint ventures		**231,906**		151,591
Finance costs		**(1,287,714)**		(778,949)
Profit before tax		**413,063**		2,055,013

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Total segment assets		
Oil shipment	**53,509,797**	42,609,650
Others	**9,906,470**	17,779,222
	63,416,267	60,388,872
Total segment liabilities		
Oil shipment	**23,784,623**	17,605,966
Others	**10,359,446**	14,517,414
	34,144,069	32,123,380

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 31 December 2018, the total net carrying amount of the Group's oil tankers, liquefied natural gas ("**LNG**") vessels and liquefied petroleum gas ("**LPG**") vessels were RMB37,816,410,000 (31 December 2017: RMB RMB34,189,840,000), RMB9,326,902,000 (31 December 2017: RMB6,007,601,000) and RMB111,933,000 (31 December 2017: RMB119,179,000) respectively.

Geographical segments

	2018		2017	
	Revenue	**Contribution**	Revenue (Restated)	Contribution (Restated)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By geographical area:				
Domestic	**4,201,183**	**1,131,956**	2,889,790	1,024,133
International	**7,898,502**	**663,655**	6,615,145	1,229,575
	12,099,685	**1,795,611**	9,504,935	2,253,708
Other income and net gains		**221,919**		878,734
Marketing expenses		**(22,805)**		(29,206)
Administrative expenses		**(770,338)**		(633,986)
Other expenses		**(31,761)**		(53,781)
Share of profits of associates		**276,245**		266,902
Share of profits of joint ventures		**231,906**		151,591
Finance costs		**(1,287,714)**		(778,949)
Profit before tax		**413,063**		2,055,013

During the Reporting Period and year ended 31 December 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**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2018			
Additions to non-current assets	3,530,996	29,780	3,560,776
Depreciation and amortisation	2,132,062	51,051	2,183,113
Losses on disposal of property, plant and equipment, net	–	(73)	(73)
Interest income	42,372	66,532	108,904
Year ended 31 December 2017 (restated)			
Additions to non-current assets	4,996,828	1,077,408	6,074,236
Depreciation and amortisation	1,759,632	150,431	1,910,063
Provision for onerous contracts	98,809	60,794	159,603
Gains/(losses) on disposal of property, plant and equipment, net	156	(13)	143
Interest income	28,686	124,012	152,698

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 Reporting Period and year ended 31 December 2017.

Major customers

During the Reporting Period, management recognised the following 2 (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:

	2018	2017 (Restated)
	RMB'000	*RMB'000*
Customer A	**2,417,033**	2,167,284
Customer B	**2,021,214**	1,437,019

5. OTHER INCOME AND NET GAINS

	2018	2017 (Restated)
	RMB'000	*RMB'000*
Other income		
Government subsidies *(note)*	**65,043**	472,396
Interest income from loan receivables	**28,579**	58,688
Bank interest income	**80,325**	94,010
Dividends received from available-for-sale investments	**—**	7,599
Dividends received from FVPL	**8,701**	—
Rental income from investment properties	**14,300**	19,971
Others	**32,421**	117,067
	229,369	769,731
Other gains/(losses)		
Gains on revaluation of investment properties, net	**632**	33,219
Exchange (losses)/gains, net	**(8,670)**	75,641
Fair value gains on equity investments	**661**	—
(Losses)/gains on disposal of property, plant and equipment, net	**(73)**	143
	(7,450)	109,003
	221,919	878,734

Note: The government subsidies for the Reporting Period mainly represent the subsidies granted for business development purpose and refund of tax. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	2018	2017 (Restated)
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**1,042,093**	653,053
– corporate bonds	**206,464**	206,282
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**56,139**	44,553
– exchange loss, net	**22,799**	33,082
	1,327,495	936,970
Less: interest capitalised	**(39,781)**	(158,021)
	1,287,714	778,949

During the Reporting Period, the capitalisation rate for the vessels under construction was at a rate of 3.23% to 4.27% (2017: 2% to 4.78%) per annum.

7. INCOME TAX

	Note	2018	2017 (Restated)
		RMB'000	*RMB'000*
Current income tax			
PRC	*(i)*		
– provision for the year		**102,201**	102,365
– (over)/under provision in respect of prior years		**(221)**	27,778
Hong Kong	*(ii)*		
– provision for the year		**782**	753
– under/(over) provision in respect of prior years		**28**	(34)
Other countries	*(iii)*		
– provision for the year		**296**	215
		103,086	131,077
Deferred tax		**16,571**	30,567
Total income tax expense		**119,657**	161,644

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% (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

	2018	2017 (Restated)
	RMB'000	*RMB'000*
Dividends recognised and paid:		
Final dividend for 2017 – RMB0.05 (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 RMB201,602,000 was paid during the Reporting Period.

At the Board meeting held on 27 March 2019, the Directors proposed a final dividend of RMB80,641,000 representing RMB0.02 per share, in respect of the year ended 31 December 2018. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed, and has not been recognised as a liability at the end of the Reporting Period.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to owners of the Company of RMB74,679,000 (2017 (Restated): RMB1,774,648,000) and the weighted average number of ordinary shares of 4,032,033 thousand (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. The main businesses, operating model of the company and conditions of the industry during the Reporting Period

The Group is mainly engaged in international and domestic coastal crude oil and product oil transportation, international LNG transportation and international chemical transportation.

In terms of transportation capacity, the Group is the world's largest oil tanker owner. As of 31 December 2018, the Group owned and controlled 151 oil tankers with a total capacity of 21.88 million Dead Weight Tonnage ("**DWT**"), including 137 self-owned oil tankers with a capacity of 19.02 million DWT, 14 leased oil tankers with a capacity of 2.87 million DWT, and an order of 16 oil tankers with a capacity of 3.06 million DWT. The Group is also a leading player in the coastal crude oil and product oil transportation industry in the PRC. 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 in March 2018, the Group has become a flagship in the coastal product oil transportation market.

The Group's main operating model for oil shipping business is production and operation activities by spot market chartering, time chartering, signing contract of affreightment ("**COA**") with cargo owners, entering POOL and other various ways using its self-owned and controlled vessels to carry out. The Group stands out globally with its complete type of vessels. Through the integration of domestic and foreign trade involving, large and small vessels, as well as crude and product oil, the Company gives full play to the advantages of its vessel types and shipping routes, provide customers with whole-process logistics solution involving materials import in international market, transshipping and lightering in domestic trade, product oil transport and export, downstream chemicals transportation, etc., to help customers reduce costs and therefore realize win-win cooperation.

The international oil tanker transportation industry emerged from the oil trade formed by the different geographical distribution of major oil producing and consuming areas. Seaborne shipping is the most efficient and cost-effective way to transport largest quantity of oil. The international oil tanker transportation industry has three characteristics. Firstly, direction of goods flow is relatively homogenous with route layout fixed. Compared with other water transport services, oil shipping, mainly one-way, features a high proportion of empty voyage 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. Secondly, the risk of safety issues 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 they pass the inspection of the vessel management conditions by oil giants. Therefore, vessel management expertise is one of the core competitiveness of international oil tanker companies. Thirdly, the freight rates are closely impacted by international political and economic factors and are thus highly volatile. The reason lies in the high correlation between the transported goods-oil and the international politics and economy. 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 security of national energy transportation and safety of coastal marine environment, at present, China's practice of transporting dangerous goods in bulk liquids along the coast is based on the idea of total quantity regulation and preferred selection. 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 corresponding freight rates are more stable.

The Group is a leader in China's LNG shipping business and an important participant 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 31 December 2018, the Group had a total of 38 jointly-invested LNG vessels, including 26 LNG vessels in operation with capacity of 4,350,000 cubic metres and 12 LNG vessels under construction with aggregate capacity of 2,080,000 cubic metres.

LNG is the abbreviation of Liquefied Natural Gas, which is formed by liquefaction of natural gas at an ultralow temperature (-163 ° C), and its volume is 1/625 of natural gas with the same mass. LNG can greatly save storage and transportation space. The LNG industrial chain involves massive funds and intensive technologies covering the entire supply process of the natural gas industry. The natural gas extracted from onshore or offshore oil fields is liquefied after being pretreated by the liquefaction enterprise. The LNG produced is transported by sea or by other means to the LNG receiving station for storage according to the trade contracts, and is then regasified and delivered to end users through pipelines. Currently, offshore LNG traffic volume accounts for more than 80% of the world's LNG volume transported. 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, and are thus 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 industrial chain, among the global LNG fleets, the majority of vessels are bound to particular LNG projects (referred to as "Project Vessels"), the most of which involve long-term time charters with the project parties so as to obtain stable charter incomes and investment yields.

All of the 38 LNG carriers the Group currently invests in are project vessels, which means that all vessels are bound to particular LNG projects with long-term time charters signed with project parties, and hence generate stable income. In recent years, as the LNG carriers, of which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

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

2. Analysis of the international and domestic shipping market during the reporting period

(1) International oil shipping market

In the first three quarters of 2018, international crude oil prices stayed high due to the impacts of geopolitical events including the more-than-expected production cuts by OPEC and other major oil producers, the sanctions on Iran announced by the United states, as well as a decline in exports from Venezuela due to its political and economic difficulties. The global crude oil trade and transportation demand was phased out and the freight rates were low. On the other hand, driven by the rise in crude oil prices, international fuel oil (Singapore 380CST) prices increased significantly year-on-year. Affected by the decline in freight rates and increase in fuel costs, the income of international crude oil transportation market has dropped to a historical low. From January to September 2018, the average daily income of the VLCC Middle East-China (TD3C) shipping route was US$10,413/day, representing a decrease of 42.8% over the same period of last year. The daily earnings of other ship types on major routes decreased by 40%-50% year-on-year. In the fourth quarter of 2018, the increase in oil production in Saudi Arabia, Russia and other countries led to a fall in international crude oil prices. In addition, suppressed crude demand through the previous quarters was then released into the market under the seasonal forces, resulting in a hike in global crude oil trade and transportation demand, as well as a strong rebound in crude oil freight rates. The elasticity of supply and demand in the international crude oil transportation market were shown. From October to December 2018, the average daily income of the VLCC Middle East-China (TD3C) shipping route was US$44,794/day, representing an approximated increase of 330% over the previous three quarters.

Throughout the year 2018, in terms of transportation demand, despite the phased suppression of crude oil transportation demand in the first three quarters, the demand for crude oil transportation achieved healthy yearly growth, representing an increase of 2.4% year-on-year, which was driven by favorable factors such as the sharp increase in US exports and the widening distance of global crude oil transportation, coupled with the concentrated release of transportation demand in the fourth quarter. In terms of tanker supply, due to the high proportion of vessels aged more than 15 years in the global tanker market, the environmental conventions on ballast water and sulfur emissions that are about to take effect, demolition soared to a record high. Throughout the year, a total of 103 crude oil tankers of 10,000 tonnes or above were dismantled, totaling approximately 17.8 million DWT. The crude oil tanker supply for the whole year almost achieved zero growth. These changes promote the continuous improvement of supply and demand conditions in the international crude oil transportation market. The yearly average freight rate for the VLCC Middle East-Far East (TD3) route is WS56.68, representing an increase of 14.6% as compared with the same calibre of the previous year. The average daily income was US$18,802/day, representing an increase of 1.1% as compared with the previous year.

(2) Domestic oil shipping market

In the first three quarters 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 domestic coastal crude oil shipping demand declined slightly year-on-year. In the fourth quarter, with the successive recovery of production from offshore oil platforms and the increase in oil feedstock purchases and operating rates of refineries, transportation demand rebounded. For the whole year, the demand for coastal crude oil shipping market declined slightly, while the freight rate remained stable.

(3) LNG Shipping Market

In 2018, thanks to the implementation of the "switch from coal to gas" policy, LNG imports by the PRC continued to rise rapidly, reaching 54.00 million tons, an increase of 41% year-on-year. Besides, traditional LNG importing countries such as South Korea and India maintained rapid growth in imports, with 18% and 9% year-on-year increase respectively. In terms of exports, 9 new production lines in Australia, the United States, and Russia were put into operation, and 85% of the supply increase was absorbed by China and South Korea. In 2018, global LNG trade volume was 318 million tons, representing an increase of 9% over the same period of last year.

By the end of 2018, the fleet size of LNG carriers was 528, with a total capacity of 78.15 million cubic meters. In 2018, the fleet size increased by 11.6% year-on-year, reaching the highest growth rate in the past five years.

The demand for global LNG spot shipping market was strong, with demand exceeding supply, and the freight rate rose sharply. The average freight rate of the 160,000m^3 DFDE (dual fuel diesel electric propulsion) LNG Suez Canal eastbound route was US$84,075/day, representing an increase of approximately 108.62% over the same period of last year.

3. Review of operating results during the Reporting Period

In 2018, the Group owned and controlled oil tanker transportation capacity of 6,489.6 million tonne-days with a year-on-year increase of 17.0%; a shipping volume of 154.84 million tonnes with, a year-on-year increase of 29.54%; a shipping turnover of 545.37 billion ton-nautical miles with a year-on-year increase of 34.05%. The Group achieved revenue from principal operations of RMB12,099.7 million with a year-on-year increase of 27.3%; and costs from principal operations of RMB10,304.1 million at a year-on-year increase of 38.5%. The net profit attributable to shareholders of the Company was RMB74.68 million, representing a year-on-year decrease of 95.8%; EBITDA was RMB3,883.9 million, representing a decrease of 18.1% year on year.

In 2018, facing the difficult situation of the international oil shipping market, 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 satellite offices and cooperation with major clients to further increase the proportion of high-yield routes so that the contribution of key projects attained outstanding results and the VLCC fleet outperformed the market; second, completed the acquisition of the product oil fleet of PetroChina, contributing to the revenue from domestic oil shipping business which increased by 45.8% year-on-year; third, employed 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 that fleet operating efficiency outperforms the market. Fourth, vigorously implemented lean management over cost control and the overall increment in cost was under control against the background of significant increase in self-operated capacity and fuel price. Fifth, the LNG shipping business continued to be a source of rapid growth. During the year, the LNG segment contributed a total profit before tax of RMB410 million, reaching a record high, with a year-on-year increase of 72.9%.

(1) Revenue from Principal Operations

In 2018, overall details of the Group's principal operations by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Product Description	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2017	Increase/ (decrease) in operating costs as compared with 2017	Gross profit margin as compared with 2017
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Crude oil	2,385,793	1,548,356	35.1	(2.3)	2.4	(3.0)
Refined oil	1,698,758	1,438,870	15.3	420.1	459.2	(5.9)
Vessel chartering	108,268	75,848	29.9	(0.3)	(12.6)	9.8
Domestic Oil Shipping	4,192,819	3,063,074	26.9	45.8	65.0	(8.5)
Crude oil	5,197,298	5,225,048	(0.5)	31.2	40.3	(6.5)
Refined oil	717,678	770,714	(7.4)	35.6	28.6	5.8
Vessel chartering	680,498	635,754	6.6	(50.6)	(30.0)	(27.5)
International Oil Shipping	6,595,474	6,631,516	(0.5)	12.4	26.8	(11.4)
Oil Shipping Sub Total	10,788,293	9,694,590	10.1	23.4	36.8	(8.8)
International LNG Shipping	1,180,760	519,196	56.0	90.5	102.6	(2.6)
Domestic LPG Shipping	8,363	6,153	26.4	(36.2)	(34.2)	(2.3)
International LPG Shipping	94,741	59,376	37.3	19.3	18.0	0.7
Others	27,528	24,759	10.1	(43.0)	(35.5)	(10.4)
Total	12,099,685	10,304,074	14.8	27.3	38.5	(6.9)

Principal Operations by Geographical Regions

Regions	**Revenue**	**Operating costs**	**Gross profit margin**	**Increase/ (decrease) in revenue as compared with 2017**	**Increase/ (decrease) in operating costs as compared with 2017**	**Gross profit margin as compared with 2017**
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	4,201,183	3,069,227	26.9	45.4	64.5	(8.5)
International shipping	7,898,502	7,234,847	8.4	19.4	29.7	(7.3)
Total	12,099,685	10,304,074	14.8	27.3	38.5	(6.9)

Transportation volume by product types

	2018	2017	Increase/ (decrease)	**2018**	2017	Increase/ (decrease)
Transportation volume	***('000 tons)***	*('000 tons)*	*(%)*	***(billion tonnenautical miles)***	*(billion tonnenautical miles)*	*(%)*
Crude oil	**51,211.9**	50,942.3	0.53	**15.78**	17.42	(9.42)
Refined oil	**16,701.7**	3,253.3	413.38	**15.10**	3.99	278.44
Domestic Oil Shipping	**67,913.6**	54,195.6	25.31	**30.88**	21.41	44.25
Crude oil	**78,130.3**	58,798.0	32.88	**486.09**	363.53	33.71
Refined oil	**8,473.0**	6,358.5	33.25	**28.19**	21.79	29.35
International Oil Shipping	**86,603.3**	65,156.5	32.92	**514.27**	385.32	33.47
Oil Shipping Sub Total	**154,516.9**	119,352.1	29.46	**545.15**	406.73	34.03
LPG Shipping	**319.0**	171.1	86.44	**0.22**	0.10	113.59
Total:	**154,835.9**	119,523.2	29.54	**545.37**	406.83	34.05

(2) Shipping business – Oil Shipping

International oil shipment business:

In 2018, the transportation capacity of oil tankers of the Group has further improved. As of 31 December 2018, the Group owned and controlled 151 oil tankers with a total capacity of 21.88 million DWT, representing an increase of 29 oil tankers with a total capacity of 3.15 million DWT compared with the end of last year. In 2018, the Group recorded foreign trade oil shipping volume of 86.6 million tonnes, a year-on-year increase of 32.9%; the turnover of foreign trade oil shipping of 514.3 billion tonne-nautical miles at a year-on-year increase of 33.5%; shipping income of RMB6.60 billion at a year-on-year increase of 12.4%. Facing the market downturn, the Company gave full play to the advantages in fleet size, global network and strategic customers, and thus enabled the overall income level of VLCC fleet to outperform the market TCE level in the same period.

(1) By strengthening the global network and fleet placement planning, the Company enabled the operating income to outperform that of traditional routes. We use data models to strengthen fleet placement planning and give full play to the role of four overseas business outlets in Houston, London, Singapore and Hong Kong. We expanded into new customers and new routes in the small triangle route of the Red Sea, the big triangle route linking West America, the US Gulf-Far East route and the Brazil-Far East route. Our supply network and route layout are more global, and the operating TCE level are higher than the market level of the traditional route at the same period.

(2) By giving full play to cooperation with strategic customers to make forward-looking layout, key projects made outstanding contribution. The Company chartered in 5 VLCCs from Sinochem Group, implemented COA cooperation with Sinochem Group and PetroChina and established cooperation and win-win mechanism. The Company opened up a new route for the Persian Gulf-Made Island VLCC quasi-liner shipping to optimize operational efficiency and quality, which played an important role in reducing losses or increasing profits during the market downturn.

(3) The Group adopted flexible management methods to resist the market downturn. With respect to the low freight rates for the first voyage of new ships, the Group sourced refined oil for the first voyage of new VLCCs to increase their initial profitability. In the fourth quarter, as the market started recovering, the Group made full use of self-operated tankers in the market. While operating at higher freight rates, we increased the proportion of long routes and locked in profits for a period of time.

Domestic oil shipping business:

In 2018, the Group overcame the adverse effects of the decline in the volume of domestic trade volume, and recorded a turnover in domestic trade oil shipping of 30.88 billion ton-nautical miles, increasing by 44.3% year on year; shipping income reached RMB4.19 billion, which increased by 45.8% 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 product oil business and the increase in fuel prices.

(1) The Company acquired the product oil fleet of PetroChina, and COSCO PetroChina SHIPPING was officially established and commenced operation, strengthening the business synergy and scale effect between the Company's headquarter and the joint ventures and associates. The turnover and gross profit of domestic trade oil product increased 420.1% and 274.9% year-on-year respectively, and the Group's leading position in the industry became more prominent.

(2) By strengthening coordination and close connection with ports, agents and cargo owners, the Company optimized domestic quasi-liner services and provided customer with value-added services, so as to secure existing customers and develop new customers. The COA in domestic trade segment of the Company maintained a high proportion of 92%.

(3) The Company gave full play to the unique advantage of the fleet structure of domestic and foreign trade linkage and strengthened the real-time linkage and optimal allocation of the tankers engaged in domestic and foreign markets. In 2018, the Company performed 15 oil shipments with close connection between domestically and internationally operation tankers, so that the overall operational efficiency and operating income of the fleet was increased.

LNG shipping business

In 2018, the LNG shipping business of the Group continued to expand rapidly; a total of 10 LNG vessels with aggregate capacity of 1.73 million cubic meters were put into operation during the year. As of 31 December 2018, the Group had invested in a total of 26 LNG vessels with a capacity of 4.35 million cubic meters in operating; there are 12 LNG vessels of 2.08 million cubic meters under construction and will all be delivered by the end of 2020. In 2018, the LNG segment contributed a profit before tax of RMB410 million, an increase of 72.9% year on year.

(1) The leading edge of LNG Arctic Route has been further established. 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 icebreaking LNG carriers. In 2018, 7 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 2018, the ship named Vladimir Rusanov, in which the Group invested, transported Yamal LNG to China for the first time, and arrived in Jiangsu via the Arctic Route, marking a milestone in China's development of the Arctic Routes.

(3) The development of new LNG transportation projects achieved a new breakthrough. We paid close attention to the demand for LNG transportation by oil and gas companies such as PetroChina, tracked the progress of project, seize every opportunity for brand marketing, and concurred on a mutual interest with PetroChina in further cooperating in the LNG business.

(3) Recognizing the development opportunities of the LNG industry, the Group successfully held the "2018 Shanghai LNG Development Forum." Focusing on the theme "Green, Safety, Development and Win-Win Results," the LNG industry leaders and peers discussed and built consensus over the development paths for the industry.

4. Costs and expenses analysis

In 2018, in light 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 given that the year-on-year increase in self-operated capacity hit 34.1% and that in international fuel price reached 31.3%. In the first half of the year, the Group's cost from principal operations was approximately RMB10,304 million, with a year-on-year increase of 38.5%:

The cost constitution of the Group's principal operations for 2018 is as follows:

Item	**2018** *(RMB'000)*	2017 *(RMB'000)*	Increase/ (decrease) *(%)*	Composition ratio in 2018 *(%)*
Continuing operations				
Fuel costs	**3,238,972**	2,027,482	59.8	31.4
Port costs	**761,784**	631,625	20.6	7.4
Sea crew cost	**1,421,538**	1,179,235	20.5	13.8
Lubricants expenses	**248,159**	192,188	29.1	2.4
Depreciation	**2,129,702**	1,871,003	13.8	20.7
Insurance expenses	**168,064**	157,348	6.8	1.6
Repair expenses	**305,787**	245,921	24.3	3.0
Charter cost	**1,583,991**	580,827	172.7	15.4
Others	**446,077**	556,548	(19.8)	4.3
Total	**10,304,074**	7,442,177	38.5	100.00

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

Other description on cost analysis

(a) Implementing a lean fuel management program to carry out measures such as extreme speed reduction of vessels, lean control of cargo oil heating and bulk purchasing of fuels. In 2018, the Company had 1,116 voyages with speed adjusted downward, giving rise to accumulated fuel savings of 86,200 tonnes; lean control of cargo oil heating saved 13,900 tonnes of oil and total fuel savings was up to RMB288 million; the average fleet fuel consumption was 2.04 kg per thousand tonne-nautical miles at a year-on-year decrease of 9.2%.

(2) Intensifying the negotiation on port expenses and the efforts of cost saving. The Company, together with the COSCO Shipping and 11 major domestic ports signed a preferential agreement and strictly controlled the expenses by strengthening the self-guiding and self-port entering of vessels. The increase in the port fee is lower than the increase in self-operated capacity by approximately 13.5 percentage points.

(3) Implementing machinery cost control. The Company intensified the negotiation on repairing cost and strengthened the control on new shipbuilding quality, and strictly controlled CAP transformation costs.

5. Operating results of the joint ventures and the associates

(1) The operating results achieved by the 3 joint ventures of the Group in 2018 are as follows:

Company name	**Interest held by the Group**	**Shipping volume**	**Operating revenue**	**Net profit**
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
CLNG	50%	36.91	1,147,321	524,795

(2) The operating results achieved by an associate of the Group in 2018 is as follows:

Company name	**Interest held by the Group**	**Shipping volume**	**Operating revenue**	**Net profit**
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	15.62	1,305,378	451,619

6. Financial analysis

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB2,156,032,000, representing an decrease of approximately 37.48% as compared to approximately RMB3,448,724,000 for the year ended 31 December 2017.

(2) Capital commitments

	Note	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
Authorised and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,446,633**	9,563,431
Project investments	*(ii)*	**179,130**	487,255
		6,625,763	10,050,686

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2019 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 RMB0 (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 RMB2,565,694,000 (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 debt which includes interest-bearing bank and other borrowings, other loans and bonds payable less cash and cash equivalents.

The Group's net debt-to-equity ratio as at 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017 (Restated)
	RMB'000	*RMB'000*
Total debts	**30,989,715**	29,278,990
Less: cash and cash equivalents	**(3,467,924)**	(5,011,256)
Net debt	**27,521,791**	24,267,734
Total equity	**29,272,198**	28,265,492
Net debt-to-equity ratio	**94%**	86%

(4) Trade and bills receivables and contract assets

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Trade and bills receivables from third parties	**606,607**	962,975
Trade receivables from fellow subsidiaries	**10,077**	5,383
Trade receivables from related companies *(note)*	**165,588**	750
	782,272	969,108
Less: allowance for doubtful debts	**(30,162)**	(14,730)
	752,110	954,378
Current contract assets relating to oil shipment contracts	**1,062,112**	–
Less: allowance	**(4,644)**	–
Total contract assets	**1,057,468**	–

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 year as other trade receivables.

As at 31 December 2018, trade and bills receivables of RMB1,148,022,000 (31 December 2017: RMB513,039,000) are denominated in USD.

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:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Within 3 months	**456,023**	758,926
4 – 6 months	**84,309**	83,273
7 – 9 months	**52,735**	43,543
10 – 12 months	**54,197**	27,575
1 – 2 years	**82,261**	41,061
Over 2 years	**22,585**	–
	752,110	954,378

(5) Trade and bills payables

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Trade and bills payables to third parties	**954,860**	685,852
Trade payables to immediate holding company	**–**	1,985
Trade payables to fellow subsidiaries	**468,505**	301,427
Trade payables to an associate	**6,481**	3,267
Trade payables to related companies *(note)*	**24,590**	54,030
	1,454,436	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 year as other trade payables.

As at 31 December 2018, trade and bills payables of RMB193,532,000 (31 December 2017: RMB563,810,000) are denominated in USD.

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 3 months	**1,042,210**	626,597
4 – 6 months	**107,812**	75,940
7 – 9 months	**29,829**	73,324
10 – 12 months	**41,830**	60,941
1 – 2 years	**223,758**	15,995
Over 2 years	**8,997**	193,764
	1,454,436	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

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Provision for onerous contracts	**–**	54,621
Others	**15,320**	15,318
	15,320	69,939
Less: current portion	**–**	(54,621)
Non-current portion	**15,320**	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 31 December 2018, the Group had interest rate swap agreements with total notional principal amount of approximately USD564,773,000 (equivalent to RMB3,876,150,000) (31 December 2017: approximately USD554,364,000 (equivalent to RMB3,804,711,000)) 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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Current liabilities		
(i) Bank borrowings		
Secured	**1,302,590**	1,216,509
Unsecured	**4,361,564**	4,289,599
	5,664,154	5,506,108
(ii) Other borrowings		
Unsecured	**1,372,410**	1,372,410
Interest-bearing bank and other borrowings – current portion	**7,036,564**	6,878,518
Non-current liabilities		
(i) Bank borrowings		
Secured	**15,865,245**	14,068,254
Unsecured	**2,745,280**	2,995,123
	18,610,525	17,063,377
(ii) Other borrowings		
Unsecured	**175,850**	208,850
Interest-bearing bank and other borrowings – non-current portion	**18,786,375**	17,272,227

As at 31 December 2018, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 44 (31 December 2017: 39) vessels and 0 (31 December 2017: 4) vessel under construction with total net carrying amount of RMB25,528,346,000 (31 December 2017: RMB19,998,023,000) and RMB0 (31 December 2017: RMB3,216,511,000) respectively.

As at 31 December 2018, secured bank borrowings of RMB17,167,835,000 (31 December 2017: RMB15,085,062,000) and unsecured bank borrowings of RMB7,106,844,000 (31 December 2017: RMB6,704,422,000) are denominated in USD.

(9) Bonds payable

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

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
At the beginning of the year	**3,985,777**	3,982,045
Interest charge	**3,914**	3,732
Less: current portion	**(1,498,439)**	–
At the end of the year	**2,491,252**	3,985,777

(10) Contingent liabilities

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

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

On 15 July 2011, the Company entered into four 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 RMB56,278,240). 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 aggregate liability of the Company under the corporate guarantees is limited to USD167,000,000 (equivalent to RMB1,146,154,400). In addition, the Company provide owner´s guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Company under these guarantees is limited to USD6,400,000 (equivalent to RMB43,924,480).

(iii) Subsequent to the approval by independent shareholders at the annual general meeting held on 8 June 2017, the Company entered into three financing guarantees with two banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to RMB2,590,858,000), in respect of 50% of the bank borrowings provided by the Banks to each of the 3 Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the 3 Joint Ventures. The guarantee period provided by the Company for each of the 3 Joint Ventures is limited to 12 years after the vessel construction project of each of the 3 Joint Ventures is completed.

(11) Foreign exchange risk management

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

As at 31 December 2018, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB3,808,000 lower/higher (2017: RMB6,729,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

(12) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2018 and 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 31 December 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 year would have been RMB122,576,000 (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.

7. Others

(1) Fleet expansion projects

In 2018, the Group achieved further fleet expansion.

In 2018, the cash outflow from investment activities of the Group, which has been paid for construction and purchase of new vessels and capital increases (in form on both investment and loans) into associates and joint ventures of the Group, was approximately RMB4.3 billion including capital expenditure of approximately RMB3.1 billion paid for the construction and purchase of new vessels.

In terms of fleet expansion, 8 new oil tankers with a total capacity of approximately 1.54 million DWT and 10 new jointly-invested LNG vessels with total capacity of approximately 1,732,000 cubic metres were delivered for use in 2018.

In 2018, the Group's holding subsidiaries received a total of 8 oil tankers with a shipping capacity of 1,542,000 DWT and 2 LNG carriers totaling 350,000 cubic meters. The joint venture companies took in 8 LNG carriers of 1,384,000 cubic meters.

On December 31, 2018, the specific composition of the Group's fleet is as follows:

	Vessels in operation			Vessels under construction	
	Number	DWT/cubic meters (000)	Average age	Number	DWT/cubic meters (000)
holding subsidiaries of the Group					
Oil tanker	137	19,016	8.7	16	3,058
LPG carrier	5	15	11.8		
LNG carrier	6	1,045	1.4		
Sub-total	**148**	**19,031/1,045**	**8.5**	**16**	**3,058**
Long-term charter-in					
Oil tanker	14	2,866	8.4		
Sub-total	**14**	2,866	**8.4**		
Joint ventures					
Oil tanker	9	720	8.2	3	195
LNG carrier	20	3,301	3.8	12	2,075
Sub-total	**29**	**720/3,301**	**5.2**	**15**	**195/2,075**
Total	**191**	**22,618/4,346**	**8.0**	**31**	**3,253/2,075**

8. Outlook and highlights for 2019

(1) Competitive landscape and trends in the industry

International oil shipping market

At the beginning of 2019, OPEC further implemented production cut, which would last for 6 months. The compliance rate of production reduction exceeded 100% again at the end of February 2019. The production reduction policies of OPEC in the second half of the year will depend on the subsequent circumstances of political and economic events such as Sino-US trade dispute, Iran sanction, Venezuela sanction, etc., and are thus difficult to predict. Compared to circumstances in 2018, it is more certain this year that crude oil exports from the Americas, including the United States and Brazil, are expected to grow significantly. The International Energy Agency ("IEA") expects global oil consumption to grow by about 1.4 million barrels/day in 2019. The extended distance arising from geographical changes in the exporting routes and the steady growth of oil consumption will support the demands for tankers. The demand for international crude oil shipping is expected to grow at a healthy rate.

Regarding additional tanker supply, tanker deliveries are expected to reach another peak in the first half of 2019. Nevertheless, as shipowners were more prudent in their decisions to order new tankers, delivery is expected to slow down in the subsequent period of 2019. Due to some restructuring in the shipbuilding industry that cleared out excess production capacity, the rising cost of steel and labour as well as the higher standards of the environmental conventions on shipbuilding, lead to an upward trend in the prices of newly built vessels. In January 2019, the cost of a new VLCC was US$93.00 million, up approximately 14% as compared to US$81.50 million at the beginning of 2018, which will constrain the growth of orders of new vessels to certain extent.

As to demolition of oil tankers, the aging of vessels is one of the major factors. As of February 2019, crude oil tankers aged 15 years and above accounted for approximately 22% of the world's total crude tanker fleet, reaching a record high. In addition to the aging factor, the increasingly stringent environmental conventions will also contribute to the higher demolition rate in the near future. Furthermore, since 2019 is the last year before implementation of IMO MARPOL 2020 Sulphur Cap, tankers that opt for installation of exhaust gas cleaning systems will be collectively modified and upgraded in docks in 2019, which will result in temporary reduction in effective tanker supply during the year.

As a result of the foregoing, the supply and demand factors in the international oil shipping market have shown signs of improvement, and the tanker shipping industry will step into an expansionary cycle.

Domestic oil shipping market

Looking forward, by virtue of the strengthening of external supervision in the domestic refining industry, the changes in policy, the less productive capacity will exit the market at a faster pace, so that the concentration of the industry will increase. The refining industry in China has entered a transformative and upgrading phase. In particular, the crude oil processing capacity of the new large-scale integrated private refining enterprises have exceeded 10 million tonnes/year, and these enterprises have more well-developed downstream petrochemical arms and more complex industrial chain structure. The aggregate processing capacity of the newly-built, expansion and reconstruction projects of the private refining plants will reach 110 million tonnes, which will provide a solid support for sustainable growth of China's oil import demand and the demand for domestic trade oil transshipping. As to offshore oil, the offshore wells to be constructed or renovated in 2018-2020 may start operating after 2020, which will result in the gradual increase in demand for offshore oil shipping. As the construction of domestic VLCC docks and oil pipelines makes progress, part of demand for coastal oil transshipping might be diverted. In general, the coastal crude oil shipping market will remain stable as a whole.

As consumption of refined oil in China is expected to experience a slight increase in the next few years, together with the expansion of refining capacity, the oil supply side in China is achieving a wider reach, and the previous layout of North-South Oil Transfer might be changed. Demand for refined oil inter-regional shipping will be increasing. Domestic refined oil shipping may shift towards large scale, large size and short distance. With the rapid development of the refining industry in the PRC, structural excess capacity will likely emerge, and the demand for refined oil exports will further increase.

LNG shipping

In the long run, according to the forecast in BP's Energy Outlook, the growth rate of the world's natural gas consumption will be much higher than that of coal and petroleum between 2019 and 2040, with average annual growth rate of 1.7%, and the demand for LNG consumption will be more than doubled as compared to 2017. It is expected that Asian countries like China will remain the key drivers of growth of LNG demand globally, and the increment of LNG supplies will predominantly come from North America.

Recently, the world's liquefaction capacity of natural gas was 412 million tonnes/year at the end of 2018, up by 30 million tonnes. At present, liquefaction projects with a capacity of 63.80 million tonnes/year are in progress, and those with a capacity of 191 million tonnes/year are still at the initial stage of engineering design. With the commencement of production of new LNG projects, liquefaction capacity is expected to increase by 28.10 million tonnes in 2019, of which 26.00 million tonnes will arise from the United States.

The average age of LNG vessels in the world is 10.6 years. As compared to the actual life of the LNG vessels ranging from 35 to 40 years, the fleet structure is relatively young, showing low demolition needs. It is estimated that 36 regular LNG vessels (150,000 to 200,000 cubic meters) and 6 vessels below 50,000 cubic meters will be delivered in 2019. The vessel supply will increase by 7.2% during the year, but supply is still in a shortage.

In summary, LNG shipping remains a high-growth market. Spot market rate of LNG vessels in 2019 will likely stay high.

(2) Development strategies of the Company

Facing the opportunities and challenges in the new era, the Group is committed to being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients, so as to accomplish its transformation from a participant to a leader in global energy transportation. The Group will accelerate its strategic transformation into an all-rounded tanker transportation service provider, providing customers with full-range transportation solutions and one-stop services, planning its operations with the new market trends and aiming at low-cost expansion. At the same time, it will vigorously implement its strategy of "Advancing towards the Blue Ocean" and penetrate the emerging fields such as "new energy, new routes and new business", promoting the forward-looking perspectives and comprehensive upgrade of its business structure.

(3) Operational plans

In 2019, the Group expects to introduce one new oil tanker, with 114,000 dwt, and nine LNG vessels, totalling 1.55 million cubic metres (including joint ventures, associated companies). It is expected that there will be 152 oil tankers in operation during the year, totalling 22 million tonnes, and 35 LNG vessels, totalling 5.9 million cubic metres (including joint ventures, associated companies and long term charter in vessels).

According to the conditions of the domestic and international shipping market in 2019, combined with the expansion of the Group´s shipping capacity, the main objectives of the Group in 2019 are as follows: completing a transportation volume of 557.9 billion tonne-nautical miles, generating an expected operating income of RMB14.2 billion and incurring operating costs of RMB11.8 billion.

(4) Work initiatives of the Company

In February 2019, the Group completed the internal reform, and reallocated resources in accordance with the requirements of "Strategic Transformation + Advancing towards the Blue Ocean". With the new structure, new system and new team, the Group is moving forward into a new cycle and commence a new starting point. In 2019, the Group will primarily implement the following new strategies and initiatives.

Firstly, the Group will establish and promote the VLCC POOL under a market-oriented simulative mechanism, build a global VLCC operational and analytical system based on big data, and continuously improve the VLCC's ability in soliciting cargo, operation capabilities and profitability. We will introduce the system into the market after internal trial, and expand it into the international market, so as to strengthen its influence in the industry.

Secondly, through successful experience of domestic trade routes and foreign trade quasi-liner routes, the Group will explore the best practices in providing domestic and foreign interline route services and a new cooperating relationship involving mutual clients and suppliers throughout the supply chain. The Group will introduce the all-rounded customer manager system, realizing a customer-centric energy shipping service system throughout the service providing process.

Thirdly, the Group will, centering on the concept of integrated logistics solutions, provide value-added services prioritizing the safety practice. The Group will establish a unified high-standard safety management principles, comprehensively implement a fleet management system, strengthen the prevention and handling of potential safety hazards and defect rectification, so as to further improve the safety management performance.

Fourthly, the Group will seize the emerging opportunities brought about by the green energy revolution, vigorously enhance LNG shipping business, and explore the development of new projects, maximizing the benefits from the Arctic Routes. The Group will solidify its core competitiveness of LNG vessel management, promote alternative energy shipping businesses such as methanol and ethane transportation, and further increase the proportion of businesses with stable income, to optimize the business structure of the Company in a long term.

Fifthly, the Group will further consolidate the cost control practices, so as to further reduce the vessel management costs and operating costs. The Group will also place greater emphasis on analysis and monitoring of trends in the oil prices strengthen the analysis and adjustment on the oil price trend, improve the communication with the major oil cargo owners, and strategize the fuel price locking operation. The Group will improve capital management and reduce financial costs.

Sixthly, the Group is dedicated to enhancing its influence in the industry, by leading the technological innovation and conducting the first trial installation of LNG dual fuel system in the newly-manufactured vessels in the industry. The Group set up a research center that is committed to strengthening industry and market research efforts, enhancing the professional and internationalized research quality.

Seventhly, the Group will further strengthen talent team building. With an aim to build a high quality, professional and international talent port, the Group will continue to nurture the corporate culture characterized by “keep running”, and organize project tasks, providing opportunities to enhance their capabilities and expertise.

9. Other significant events

(1) Results, dividends and closure of the H Share register

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

(2) Medical insurance scheme

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

Since 1 July 2010, the Company has developed a defined medical insurance scheme according to advocacy by the State for the establishment of a multi-level enterprise medical security system and of the "Notice on Enterprise Income Tax Policies Relating to Defined Contribution Retirement Insurance and Defined Medical Insurance" (CaiShui 2009 No. 27). Under the scheme, the Company shall make a provision of 5% of the total salary of employees, which shall be deposited into a special account for defined medical insurance fund.

(3) Pension and Enterprise annuity schemes

(i) PRC (other than Hong Kong)

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% (2017: 19% to 20%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB37,767,000 (2017: RMB77,473,000).

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 the 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 became effective on 1 January 2008. Under the scheme, actual amount incurred as labour cost in 2018 amounted to RMB15,680,000 (2017: RMB22,459,000).

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.

(ii) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**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 Reporting Period amounted to RMB229,000 (2017: RMB292,000).

(4) Incentive Scheme

On 17 December 2018, an A share option incentive scheme (the "**Incentive Scheme**") was approved by shareholders at the extraordinary general meeting and class meetings of, and adopted by, the Company. On 27 December 2018, pursuant to the authorisation granted by shareholders, the Board approved the grant of 35,460,000 share options to 133 participants.

(5) Directors' and supervisors' interests and short positions in shares and underlying shares of the Company

As at 31 December 2018, the Directors, supervisors and chief executive of the Company who had an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (the "**SFO"**)) that was required to be recorded pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Name of Director	Class of shares	Number of shares held	Percentage of the total number of shares of the relevant class	Percentage of the total number of issued shares
Liu Han Bo	A	475,000 (L)	0.02%	0.01%
Lu Jun Shan	A	475,000 (L)	0.02%	0.01%

Notes:

(1) A represents A shares.

(2) L represents long position.

(3) This represents Mr. Liu Hanbo's entitlement to purchase up to 475,000 shares of the Company pursuant to the exercise of share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfilment of the conditions of exercise of those share options.

(4) This represents Mr. Lu Junshan's entitlement to purchase up to 475,000 shares of the Company pursuant to the exercise of share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfilment of the conditions of exercise of those share options.

As at 31 December 2018, save as disclosed above, none of the Directors, supervisors and chief executive of the Company had registered an interest or short position in the shares or the underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

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

(7) Compliance with the Corporate Governance Code

The Board is committed to the principles of corporate governance for a value-driven management that is focused on enhancing shareholders' value. In order to enhance independence, accountability and responsibility, the posts of chairman of the Board and the chief executive officer are assumed by different individuals so as to maintain independence and balanced views.

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018.

As provided for in code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Lin Hong Hua, a non-executive director, and Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, each an independent non-executive Director, were unable to attend the annual general meeting held on 28 June 2018 ("**2018 AGM**") due to prior commitments. In addition to the 2018 AGM, Mr. Huang Xiao Wen, an executive Director, Mr. Liu Han Bo, an executive Director and the president of the Company, Mr. Feng Bo Ming, Mr. Zhang Wei, each a non-executive Director, Mr. Ip Sing Chi and Mr. Teo Siong Seng each an were unable to attend the first extraordinary general meeting held on 26 February 2018 due to prior commitments. Mr. Lu Jun Shan, an executive Director, Mr. Feng Bo Ming, Mr. Zhang Wei and Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng were unable to attend the second extraordinary general meeting held on 17 December 2018 due to prior commitments.

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

The Company has established four professional committees under the Board, namely the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee and the Nomination Committee, with defined terms of reference.

(8) Audit Committee

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

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

(9) Remuneration and Appraisal Committee

The remuneration and appraisal committee of the Company comprises four independent non-executive Directors. The remuneration and appraisal committee of the Company has adopted terms of reference which are in line with the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

(10) Compliance with the Model Code as set out in Appendix 10 to the Listing Rules

The Company has adopted a code of conduct regarding Directors' securities transactions in accordance with the required standard set out in the Model Code.

Following specific enquiries made with the Directors, supervisors and chief executive of the Company, the Company confirms that each of them has complied with the Model Code during the Reporting Period.

(11) Employees

The adjustments of employee remuneration is calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the 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 and the Incentive Scheme, the Company does not maintain any other 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 31 December 2018, the Company had 6,854 (2017: 6,257) employees. During the Reporting Period, the total staff costs was approximately RMB2,153 million (2017: approximately RMB1,874 million).

(12) Publication of annual results on the website of the Hong Kong Stock Exchange

An annual report of the Company containing all the financial and relevant information as required under the Listing Rules will be posted on the website of the Hong Kong Stock Exchange in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2018 and 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 as well as made available on the Company's website at http://www.coscoshippingenergy.com.

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

27 March 2019
Shanghai, the PRC

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 purpose only*