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)

2020 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenues of the Group increased by approximately 37% to approximately RMB9,669 million
- Profit for the period attributable to equity holders of the Company increased by approximately 528% to approximately RMB2,955 million
- The basic and diluted earnings per share for the period were RMB67.19 cents and 67.17 cents respectively

The board (the "**Board**") of directors (the "**Directors**") of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together referred to as the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenues	4	**9,669,499**	7,058,637
Operating costs		**(6,001,948)**	(5,671,112)
Gross profit		**3,667,551**	1,387,525
Other income and net gains	5	**27,984**	63,515
Marketing expenses		**(14,806)**	(11,626)
Administrative expenses		**(286,551)**	(288,085)
Net impairment losses on financial and contract assets		**(12,540)**	(17,219)
Other expenses		**(20,000)**	(30,667)
Share of profits of associates		**176,830**	150,989
Share of profits of joint ventures		**321,747**	180,983
Finance costs	6	**(566,137)**	(738,073)
Profit before tax		**3,294,078**	697,342
Income tax expense	7	**(199,785)**	(87,532)
Profit for the period		**3,094,293**	609,810
Other comprehensive loss			
Item that will not be reclassified to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(27,723)**	83,428
Items that may be reclassified to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**113,888**	22,996
Net loss on cash flow hedges		**(474,172)**	(268,459)
Hedging gain reclassified to profit or loss		**49,774**	21,383
Share of other comprehensive (loss)/income of associates		**(4,712)**	3,828
Share of other comprehensive loss of joint ventures		**(91,159)**	(110,501)
Net loss on disposal of investment properties		**(4,558)**	–
Other comprehensive loss for the period		**(438,662)**	(247,325)
Total comprehensive income for the period		**2,655,631**	362,485

	Note	Six months ended 30 June **2020** **(Unaudited)** ***RMB'000***	2019 (Unaudited) *RMB'000*
Profit for the period attributable to:			
Equity holders of the Company		**2,954,736**	470,332
Non-controlling interests		**139,557**	139,478
Profit for the period		**3,094,293**	609,810
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**2,786,501**	328,274
Non-controlling interests		**(130,870)**	34,211
		2,655,631	362,485
Earnings per share	*9*		
– Basic (RMB cents/share)		**67.19**	11.66
– Diluted (RMB cents/share)		**67.17**	11.66

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Investment properties	**10,485**	50,714
Property, plant and equipment	**49,414,691**	49,160,894
Right-of-use assets	**2,158,517**	2,414,753
Goodwill	**73,325**	73,325
Investments in associates	**2,679,936**	2,355,055
Investments in joint ventures	**3,263,188**	3,186,957
Loan receivables	**1,165,474**	1,230,929
Financial assets at fair value through other comprehensive income	**355,712**	396,439
Deferred tax assets	**43,970**	45,165
	59,165,298	58,914,231
CURRENT ASSETS		
Current portion of loan receivables	**16,731**	27,786
Inventories	**797,267**	774,260
Contract assets	**1,005,907**	469,614
Trade and bills receivables	**1,333,803**	937,682
Prepayments, deposits and other receivables	**1,298,738**	797,927
Pledged bank deposits	**861**	861
Cash and cash equivalents	**7,218,092**	3,919,500
	11,671,399	6,927,630
TOTAL ASSETS	**70,836,697**	65,841,861

	Note	**30 June 2020 (Unaudited)** *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Provision and other liabilities		**25,445**	25,297
Derivative financial instruments		**1,067,849**	631,235
Interest-bearing bank and other borrowings		**15,712,842**	17,325,526
Other loans		**1,084,287**	1,089,247
Bonds payable		**2,494,625**	2,493,477
Employee benefits payable		**184,344**	187,499
Lease liabilities		**2,018,583**	2,145,306
Deferred tax liabilities		**443,689**	428,476
		23,031,664	24,326,063
CURRENT LIABILITIES			
Trade and bills payables		**1,592,573**	1,922,313
Other payables and accruals		**1,029,423**	1,060,783
Contract liabilities		**18,215**	28,704
Dividends payable	*8*	**190,508**	–
Current portion of interest-bearing bank and other borrowings		**7,750,639**	8,554,842
Current portion of other loans		**43,286**	43,443
Current portion of employee benefits payable		**13,245**	15,975
Current portion of lease liabilities		**470,366**	586,728
Taxes payable		**125,108**	135,404
		11,233,363	12,348,192
TOTAL LIABILITIES		**34,265,027**	36,674,255
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,762,692**	4,032,033
Reserves		**31,037,767**	24,092,702
		35,800,459	28,124,735
Non-controlling interests		**771,211**	1,042,871
TOTAL EQUITY		**36,571,670**	29,167,606

NOTES

1. CORPORATE INFORMATION

COSCO SHIPPING Energy Transportation Co., Ltd. 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 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 ("**LNG**") shipping and liquefied petroleum gas ("**LPG**") shipping.

The Board regards China COSCO SHIPPING Corporation Limited ("**COSCO Shipping**"), a state-owned enterprise established in the PRC, as the Company's parent company. The Board regards China Shipping Group Company Limited, a state-owned enterprise established in the PRC, 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 (the "**Stock Exchange**") and the Shanghai Stock Exchange respectively.

This condensed consolidated interim financial information for the six months ended 30 June 2020 (the "**Interim Financial Information**") is 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.

The Interim Financial Information was approved for issue by the Board on 27 August 2020.

The Interim Financial Information has not been audited.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Interim Financial Information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") except for the adoption of new and amended standards as disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4. REVENUES 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) LNG

(iii) others

- others mainly include LPG shipping

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

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Business segments

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

	Six months ended 30 June			
	2020		2019	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment				
– Oil shipment	**8,264,300**	**2,968,896**	5,787,844	876,870
– Vessel chartering	**714,467**	**325,361**	565,738	130,511
	8,978,767	**3,294,257**	6,353,582	1,007,381
LNG	**649,993**	**360,473**	652,785	362,670
Others	**40,739**	**12,821**	52,270	17,474
	9,669,499	**3,667,551**	7,058,637	1,387,525
Other income and net gains		**27,984**		63,515
Marketing expenses		**(14,806)**		(11,626)
Administrative expenses		**(286,551)**		(288,085)
Net impairment losses on financial and contract assets		**(12,540)**		(17,219)
Other expenses		**(20,000)**		(30,667)
Share of profits of associates		**176,830**		150,989
Share of profits of joint ventures		**321,747**		180,983
Finance costs		**(566,137)**		(738,073)
Profit before tax		**3,294,078**		697,342

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

The Group's revenues for the Reporting Period are recognised over-time.

The Group's revenues are mainly with contract period of less than one year. So, the Group takes the expedient not to disclose the unsatisfied performance obligation under HKFRS 15.

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Total segment assets		
Oil shipment	**56,248,662**	51,622,800
LNG	**13,608,290**	13,413,037
Others	**979,745**	806,024
	70,836,697	65,841,861
Total segment liabilities		
Oil shipment	**24,290,443**	27,206,955
LNG	**9,967,424**	9,437,799
Others	**7,160**	29,501
	34,265,027	36,674,255

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, net impairment losses on financial and contract assets, other expenses, share of profits of associates, share of profits of joint ventures, other income and net gains and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

As at 30 June 2020, the total net carrying amount of the Group's oil tankers, LNG vessels and LPG vessels were RMB36,640,989,000 (31 December 2019: RMB36,964,619,000), RMB9,137,478,000 (31 December 2019: RMB9,159,126,000) and RMBnil (31 December 2019: RMB106,173,000) respectively.

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Geographical segments

	Six months ended 30 June			
	2020		2019	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By geographical area:				
Domestic	**2,614,213**	**663,249**	2,392,908	565,103
International	**7,055,286**	**3,004,302**	4,665,729	822,422
	9,669,499	**3,667,551**	7,058,637	1,387,525
Other income and net gains		**27,984**		63,515
Marketing expenses		**(14,806)**		(11,626)
Administrative expenses		**(286,551)**		(288,085)
Net impairment losses on financial and contract assets		**(12,540)**		(17,219)
Other expenses		**(20,000)**		(30,667)
Share of profits of associates		**176,830**		150,989
Share of profits of joint ventures		**321,747**		180,983
Finance costs		**(566,137)**		(738,073)
Profit before tax		**3,294,078**		697,342

During the Reporting Period and six months ended 30 June 2019, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Other information

	Oil shipment *RMB'000*	LNG *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2020				
Additions to non-current assets	**1,307,913**	**127**	**–**	**1,308,040**
Depreciation and amortisation	**1,334,299**	**156,806**	**39**	**1,491,144**
Gains/(losses) on disposal of property, plant and equipment, net	**5,405**	**(9)**	**–**	**5,396**
Interest income	**42,492**	**15,391**	**12**	**57,895**
Six months ended 30 June 2019				
Additions to non-current assets	355,462	44	26	355,532
Depreciation and amortisation	1,271,588	151,689	3,130	1,426,407
Losses on disposal of property, plant and equipment, net	(4)	–	(23)	(27)
Interest income	35,645	14,811	287	50,743

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 six months ended 30 June 2019.

5. OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2020 ***RMB'000***	2019 *RMB'000*
Other income		
Government subsidies *(Note)*	**33,346**	18,187
Bank interest income	**29,464**	18,458
Interest income from loan receivables	**28,431**	32,285
Rental income from investment properties	**640**	511
Others	**(3,966)**	12,608
	87,915	82,049
Other losses		
Losses on disposal of shares in subsidiaries	**(40,504)**	(7,926)
Exchange losses, net	**(19,641)**	(13,312)
Gains/(losses) on disposal of property, plant and equipment, net	**5,396**	(27)
Others	**(5,182)**	2,731
	(59,931)	(18,534)
	27,984	63,515

Note: The government subsidies 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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest expenses on:		
– bank loans and other borrowings	**446,511**	570,181
– corporate bonds	**64,374**	102,464
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**49,774**	21,383
– lease liabilities	**52,175**	63,600
– exchange gains, net	**(46,697)**	(19,555)
	566,137	738,073

During the Reporting Period, no interest expense is capitalised (six months ended 30 June 2019: Nil).

7. INCOME TAX EXPENSE

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Current income tax			
PRC	*(i)*		
– provision for the period		**172,030**	75,634
– adjustments for current tax of prior periods		**(22)**	1,203
Other districts	*(ii)*		
– provision for the period		**616**	74
		172,624	76,911
Deferred tax		**27,161**	10,621
Total income tax expense		**199,785**	87,532

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (six months ended 30 June 2019: 25%) except for those entities with tax concession.

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

8. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Final dividend for 2019 – RMB0.04 (30 June 2019: Final dividend for 2018 – RMB0.02) per share	**190,508**	80,641

Final dividend of RMB0.04 per share in respect of the year ended 31 December 2019 was approved by shareholders at the annual general meeting held on 22 June 2020 and a total amount of RMBnil was paid during the Reporting Period.

The Board does not recommend the payment of an interim dividend for the period (six months ended 30 June 2019: Nil).

9. EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**2,954,736**	470,332
Weighted average number of ordinary shares in issue	**4,397,362,373**	4,032,032,861
Basic earnings per share (RMB cents/share)	**67.19**	11.66

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the period.

9. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

	Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**2,954,736**	470,332
Weighted average number of ordinary shares in issue	**4,397,362,373**	4,032,032,861
Adjustments for share options	**1,710,272**	–
Weighted average number of ordinary shares for diluted earnings per share	**4,399,072,645**	4,032,032,861
Diluted earnings per share (RMB cents/share)	**67.17**	11.66

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised share options.

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 shipping of crude and product oil, international LNG transportation and international chemical transportation.

In terms of fleet size, the Group is the world's largest oil tanker owner.As of 30 June 2020, the Group owned and controlled 152 oil tankers with a total capacity of 22.17 million Dead Weight Tons ("**DWT**"), including 142 self-owned oil tankers with a capacity of 19.42 million DWT, 10 chartered-in oil tankers with a capacity of 2.75 million DWT, as well as 15 oil tankers in order with a capacity of 2.87 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 an industry leader and a market share of over 55%. After completing of the acquisition of product oil tanker fleet of PetroChina in March 2018, the Group has become a flagship in the coastal product oil transportation market.

The Group's tanker operation model mainly includes spot market chartering, time chartering, signing contracts of affreightment ("**COA**") with cargo owners, entering associated operating entities ("**POOL**") and other various ways using its self-owned and controlled vessels. The Group stands out globally with its complete types of vessels, which allows the integration of domestic and international voyages by employing crude and product tankers across different sizes. The Company gives full play to the advantages of its vessel types and shipping route networks to provide customers with whole-process logistics solution involving materials import in international market, transshipping and lightering in domestic trade, product oil transport and export and downstream chemicals transportation, etc., to provide customers with means to reduce costs and therefore realize win-win cooperation.

The international tanker industry emerged from the oil trade as a result of the different geographical distribution of major oil producing and consuming areas. Seaborne shipping is the most efficient and cost-effective way to transport the greatest volume of petroleum. The international oil tanker transportation industry has three characteristics. Firstly, direction of cargo flow is relatively homogenous with fixed layout of routes. Compared with other water transport services, oil shipping tends to involve a high proportion of one-way ballast voyages and low utilization of load capacity. This pattern 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 these 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, tanker freight rates are more 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 7 times.

In China's coastal oil tanker transportation sector, in order to ensure security of national energy transportation and safety of coastal marine environment, China's current 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, characterised by a relatively stable market size and freight rates.

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. ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Group holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As of 30 June 2020, the Group had a total of 41 jointly-invested LNG vessels, including 36 LNG vessels in operation with capacity of 6.08 million cubic metres and 5 LNG vessels under construction with aggregate capacity of 870,000 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 funding and intensive technologies covering the entire supply chain of the natural gas industry. The natural gas extracted from onshore or offshore oil fields is pretreated and liquefied at liquefaction facilities. The LNG produced is transported by sea or by other means to the LNG receiving terminals for storage according to the trade contracts, and is then regasified and delivered to end users through pipelines. Currently, seaborne LNG transportation 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 value added, and are thus expensive. LNG transportation has higher requirements for ship management; therefore, the LNG shipping market is highly concentrated. Secondly, due to the closed loop of the LNG industrial chain, the majority of vessels among the global LNG fleet 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 that charter incomes and investment yields are often stable.

All of the 41 LNG carriers the Group currently invests in are project vessels, which means that they are all 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, resulting in the cyclical elasticity in 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 half of 2020, the international tanker market underwent a boom and bust driven by multiple extraordinary factors, while the overall tanker supply and demand dynamics improved significantly year on year.

The worldwide lockdown measures following the COVID-19 outbreak in early 2020 greatly suppressed economic activities and oil demand. The production increase by the Organization of the Petroleum Exporting Countries and its allies ("**OPEC+**") in March disrupted the market dynamics that were previously determined by fundamentals. This move immediately brought up the demand for tanker shipping; on the other hand, it led to the collapse of crude oil prices and a deep contango in the oil futures market, stimulating a surge in demand for oil storage. Due to the sluggish consumption, onshore oil storage was approaching saturation and a large number of oil tankers awaited berthing and unloading, which temporarily caused a global shortage of tonnage supply. In the second quarter, global oil demand showed signs of recovery, but the phased production cuts by OPEC+ starting in May reduced shipping demand and cooled down the market.

On the supply side, thanks to the strong tanker demand through the first half of the year, only one crude oil tanker was demolished and 38 were delivered. Meanwhile, the proportion of older tankers remained high. VLCCs over 20 years old accounted for more than 5% of all VLCCs, a record high in the past 15 years, while contracting of new vessels showed a substantial decline year on year.

In the first half of 2020, the international tanker freight rates fluctuated in an inverted U-shape, with a much higher average rate and volatility compared to the same period last year. The TCE of VLCC TD3C (Middle East-China) route was US$ 82,200 per day, representing a year-on-year increase of approximately 303.7%, and the TCE of major routes of other types of vessels increased by approximately 140%-230% year on year.

(2) Domestic oil shipping market

In the first quarter of 2020, due to the slowdown of the domestic economy since the COVID-19 outbreak, product oil consumption was considerably depressed, giving rise to high inventories. The weak demand for product oil rippled through crude oil processing activity, where a lot of refineries reacted by lowering their run rates or shutting down units. Meanwhile, the epidemic prevention and control measures slowed down the pace of loading and unloading at ports, leading to a significant decline in the efficiency of vessel operations and posing barriers for refining and chemical companies to take in feedstocks and deliver products.

Nevertheless, China managed to quickly contain the spread of COVID-19 through effective prevention and control measures. Starting from the second quarter, the resumption of businesses and the gradual lifting of travel restrictions allowed domestic oil demand to pick up, and the coastal oil shipping market headed towards recovery. Though international oil prices tumbled in March, China's price floor policy for product oil sales incentivised domestic refineries to import and process crude oil and stay active in oil trading, boosting coastal shipping demand for crude and product oil, which in turn resulted in a tight tonnage supply.

(3) LNG Shipping Market

The COVID-19 epidemic also adversely affected LNG trade. In the first half of 2020, the global LNG trade volume is estimated to be 173 million tonnes, representing a year-on-year decrease of approximately 0.7%. As at the end of June 2020, the global LNG fleet consisted of a total of 567 LNG carriers (excluding LNG bunkering vessels, FSRUs, FSUs and FLNG vessels) with a total capacity of approximately 85.64 million cubic metres, representing an increase of 28 carriers, or approximately 4.57 million cubic metres, compared with those of the same period last year. Due to weak LNG demand and increased inventory, LNG spot shipping rates hovered at a low level in the first half of the year, but the charter rates of existing project vessels were insulated from market volatility.

3. Review of operating results during the Reporting Period

As at the end of June 2020, the Group held and controlled 152 oil tankers with 22.17 million DWT, representing a year-on-year increase of 1 vessel with 290 thousand DWT. In the first half of 2020, the Group realised a transportation volume (excluding time charters) of 81.11 million tonnes with a year-on-year increase of 3.0%, transportation turnover (excluding time charters) of 257.86 billion tonne-nautical miles with a year-on-year increase of 1.0%, revenues from principal operations of RMB9.669 billion with a year-on-year increase of 37.0%, cost of principal operations of RMB6.002 billion with a year-on-year increase of 5.8%, gross profit margin increased by 18.3 percentage points year-on-year, profit attributable to equity holders of the Company was RMB2.955 billion with a year-on-year increase of 528.2%, and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of RMB5.351 billion with a year-on-year increase of 87.0%.

Facing the complex external environment through the first half of 2020, the Group primarily worked on and accomplished the following six aspects. Firstly, we strengthened safety risk management and implemented anti-virus measures on board to ensure the smooth operation of vessels. Secondly, we closely assessed the international tanker market dynamics and efficiently arranged tanker voyages to seize market highs for better returns. Thirdly, we ensured that we delivered our coastal shipping services in an orderly manner, so as to maintain our market share and secure stable revenues. Fourthly, we actively engaged in integrated voyages of domestic and international trade to optimize efficiency of fleet operations. Fifthly, we operated the existing LNG shipping projects and worked on developing new projects to further strengthen our profitable segment. Sixthly, we completed the non-public issuance of shares to raise approximately RMB5.1 billion, supporting the low-cost development of our fleet.

(1) Revenues from Principal Operations

For the six months ended 30 June 2020, 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	Revenues	Operating costs	Gross profit margin	Increase/ (decrease) in revenues as compared with the same period in 2019	Increase/ (decrease) in operating costs as compared with the same period in 2019	Increase/ (decrease) in gross profit margin as compared with the same period in 2019
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic crude oil	1,368,212	934,596	31.7	12.2	10.3	1.2
Domestic refined oil	1,171,551	969,900	17.2	6.2	4.7	1.2
Domestic vessel chartering	48,724	37,202	23.6	(9.4)	(9.8)	0.3
Domestic Oil Shipping Sub Total	2,588,487	1,941,698	25.0	8.9	7.0	1.4
International crude oil	5,003,112	2,887,797	42.3	67.3	8.1	31.6
International refined oil	721,425	503,111	30.3	51.8	7.8	28.5
International vessel chartering	665,743	351,904	47.1	30.0	(10.7)	24.1
International Oil Shipping Sub Total	6,390,280	3,742,812	41.4	60.7	6.0	30.2
Oil Shipping Sub Total	8,978,767	5,684,510	36.7	41.3	6.3	20.8
International LNG Shipping	649,993	289,520	55.5	(0.4)	(0.2)	(0.1)
Domestic LPG Shipping	25,726	9,266	64.0	56.5	(27.3)	41.6
International LPG Shipping	15,013	18,652	(24.2)	(58.1)	(15.4)	(62.7)
Others	0	0	0	(100.0)	(100.0)	(200.0)
Total	9,669,499	6,001,948	37.9	37.0	5.8	18.3

Principal Operations by Geographical Regions

Geographical Regions	Revenues	Operating costs	Gross profit margin	Increase/ (decrease) in revenues as compared with the same period in 2019	Increase/ (decrease) in operating costs as compared with the same period in 2019	Increase/ (decrease) in gross profit margin as compared with the same period in 2019
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	2,614,213	1,950,964	25.4	9.2	6.7	1.8
International shipping	7,055,286	4,050,984	42.6	51.2	5.4	25.0
Total	9,669,499	6,001,948	37.9	37.0	5.8	18.3

Transportation volume by product types

Transportation volume	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)
	('000 tons)	*('000 tons)*	*(%)*	*(billion tonne-nautical miles)*	*(billion tonne-nautical miles)*	*(%)*
Domestic crude oil	**27,112.7**	26,053.6	4.1	9.369	7.800	20.1
Domestic refined oil	**11,547.5**	10,558.6	9.4	10.550	9.769	8.0
Domestic Oil Shipping Sub Total	**38,660.2**	36,612.2	5.6	19.919	17.569	13.4
International crude oil	**37,711.3**	36,940.6	2.1	222.140	223.114	(0.4)
International refined oil	**4,561.3**	5,016.4	(9.1)	15.718	14.580	7.8
International Oil Shipping Sub Total	**42,272.6**	41,957.0	0.8	237.858	237.694	0.1
Oil Shipping Sub Total	**80,932.8**	78,569.2	3.0	257.777	255.263	1.0
LPG Shipping	**175.0**	190.5	(8.1)	0.086	0.115	(25.2)
Total:	**81,107.8**	78,759.7	3.0	257.863	255.378	1.0

(2) *Shipping business – Oil Shipping*

International oil shipping business:

In the first half of 2020, the Group accurately seized the upswing amid volatility in the international tanker market, so that the operating results of the international tanker fleet improved substantially year-on-year: revenue from international oil shipping reached RMB6.39 billion with a year-on-year increase of 60.7%; gross profit for the segment achieved RMB2.647 billion with a year-on-year increase of 493.6%, and its gross profit margin hit 41.4% with a year-on-year increase of 30.2 percentage points. Operational highlights of the international tanker fleet are as follows:

(1) We closely evaluated the market dynamics and adopted approaches such as arranging short-haul routes as an interim measure and adjusting drydocking schedules to maintain a higher proportion of available tonnage, while deploying vessels effectively during periods of positive market sentiment by thoughtfully allocating the proportion of long- and short-haul voyages to secure operating efficiency.

(2) We entered into COA contracts with key customers from South America to build up our cargo profile for long-haul VLCC routes, diversified the mix of VLCC routes, and opened new Aframax routes from Canada to China and from the US Gulf to Europe to enrich our operational strategies and expand our global footprint.

(3) We actively engaged in integrated voyages connecting domestic and international trade maximize overall efficiency. In the first half of 2020, the Group closely monitored both the domestic and international tanker markets and flexibly adjusted tonnage deployment, completing a total of 34 integrated domestic-international shipments.

Domestic oil shipping business:

In the first half of 2020, the Group recorded coastal oil shipping revenue of RMB2.588 billion with a year-on-year increase of 8.9%, gross profit of RMB647 million with a year-on-year increase of 15.2%, and gross profit margin of 25.0% with a year-on-year increase of 1.4 percentage points. Operational highlights of the domestic oil tanker fleet are as follows:

(1) We overcame the adverse impact of the COVID-19 epidemic and provided customers with refined services to safeguard domestic oil shipping and consolidate our market share. During the peak of the epidemic in February and March, the coastal crude

shipping revenue of the Group managed to stay comparable to the average of previous years, and the Group's market share of domestic oil shipping remained at approximately 55%.

(2) We entered into new COA contracts with key customers of product tanker business to acquire cargoes that would allow better operational performance. Meanwhile, we fully leveraged the business synergy with COSCO PetroChina SHIPPING Co., Ltd. and boosted the operational efficiency of our vessels during the market recovery in the second quarter, achieving a turnaround from the depression in the first quarter.

LNG shipping business

In the first half of 2020, the Group realized LNG shipping revenue of RMB650 million with a year-on-year decrease of 0.4%, gross profit of RMB360 million with a year-on-year decrease of 0.6%, gross profit margin of 55.4% with a year-on-year decrease of 0.1 percentage points, investment income from the LNG shipping segment of RMB337 million with a year-on-year increase of 76.2%, and profit before tax of RMB438million with a year-on-year increase of 32.8%. Major developments of the LNG shipping business are as follows:

(1) As at the end of June 2020, the Group had a total of 36 jointly-invested project LNG carriers in operation, amounting to a year-on-year increase of 6 vessels, further supporting the segment performance.

(2) On 30 June 2020, COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, jointly entered into a ship building contract and a time charter contract with PetroChina International Co., Limited, Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. and China Shipbuilding Trading Co., Ltd. regarding 3 large LNG carriers of 174,000 cubic metres capacity. Through the project, the Group collaborated with reputable cargo owners and shipyards in shaping an ecosystem of LNG industry chain that promotes shared prosperity and further elevates our business stability and anti-cyclical resilience.

4. Cost and expenses analysis

In the strong market through the first half of the year, the Group performed cost management with greater flexibility to emphasize cost-effectiveness. To ensure availability of tonnage to follow the positive market momentum, the Group mainly adjusted the drydocking schedules for 7 VLCCs, which translated into 241 additional operating days during the market highs.

The Company applied the efficiency optimization model in managing voyage speeds to determine and monitor bunker fuel consumption, and recorded a year-on-year decrease of 3.9% in unit fuel consumption (total fuel consumption/transportation volume). In addition, the Company captured the window of continued low fuel prices in the first half of the year to procure fuel in multiple small batches, so as to steadily reduce fuel costs.

The constitution of the cost of Group's principal operations for the six months ended 30 June 2020 was as follows:

Item	**For the six months ended 30 June 2020** ***(RMB'000)***	**For the six months ended 30 June 2019** *(RMB'000)*	**Increase/ (decrease)** *(%)*	**Composition ratio in the six months ended 30 June 2020** ***(%)***
Fuel costs	1,771,479	1,744,366	1.6	29.5
Port costs	417,917	402,104	3.9	6.9
Sea crew costs	832,844	721,019	15.5	13.9
Lubricants expenses	159,825	160,365	(0.3)	2.7
Depreciation	1,453,449	1,377,609	5.5	24.2
Insurance expenses	106,132	104,076	2.0	1.8
Repair expenses	244,440	256,961	(4.9)	4.1
Charter costs	628,870	657,279	(4.3)	10.5
Others	386,992	247,333	56.5	6.4
Total	6,001,948	5,671,112	5.8	100.00

5. Operating results of the joint ventures and the associates

In the first half of 2020, the Group recognized investment income from joint ventures and associates of approximately RMB499 million with a year-on-year increase of 50.3%. The major joint venture and associate of the Group realized a total operating revenue of approximately RMB1.307 billion and a total net profit attributable to the parent of approximately RMB750 million with a year-on-year increase of 35.6%.

(1) The operating results achieved by the major joint venture of the Group for the Reporting Period are as follows:

Company name	**Interest held by the Group**	**Shipping turnover**	**Operating revenues**	**Net profit (attributed to shareholders)**
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
CLNG	50%	35.36	549,339	472,294

(2) The operating results achieved by an associate of the Group for the Reporting Period are as follows:

Company name	**Interest held by the Group**	**Shipping turnover**	**Operating revenues**	**Net profit (attributed to shareholders)**
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	7.61	757,342	277,988

6. Financial analysis

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB3,507,055,000, representing an increase of approximately 30% as compared to approximately RMB2,696,446,000 for the six months ended 30 June 2019.

(2) Capital commitments

	Note	**30 June 2020**	31 December 2019
		RMB'000	*RMB'000*
Authorised and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**8,918,952**	6,156,464

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2020 to 2023.

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 RMB174,848,000 (31 December 2019: RMB246,703,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB955,538,000 (31 December 2019: RMB1,516,348,000).

(3) Capital Structure

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

The Group's net debt-to-equity ratio as at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Total debts	**29,574,628**	32,238,569
Less: cash and cash equivalents	**(7,218,092)**	(3,919,500)
Net debt	**22,356,536**	28,319,069
Total equity	**36,571,670**	29,167,606
Net debt-to-equity ratio	**61%**	97%

As at 30 June 2020, the balance of cash and cash equivalents amounted to RMB7,218,092,000, representing an increase of RMB3,298,592,000 and by 84% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

As at 30 June 2020, the Group's net gearing ratio (i.e. net debts over total equity) was 61%, which was lower than 97% as at 31 December 2019. The decrease was primarily due to the funds raised by the Company's completion of the non-public issuance of A shares and repayment of parts of bank borrowings during the Reporting Period.

(4) Trade and bills receivables and contract assets

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade and bills receivables from third parties	**1,175,084**	764,870
Trade receivables from related companies *(Note)*	**186,715**	197,331
Trade receivables from fellow subsidiaries	**10,872**	7,910
Trade receivables from an associate	**1,795**	–
Trade receivables from a joint venture	**–**	132
	1,374,466	970,243
Less: allowance for doubtful debts	**(40,663)**	(32,561)
	1,333,803	937,682
Current contract assets relating to oil shipment contracts	**1,014,128**	473,262
Less: allowance	**(8,221)**	(3,648)
Total contract assets	**1,005,907**	469,614

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 an associate, a joint venture, fellow subsidiaries and related companies are unsecured, non-interest-bearing and under normal credit year as other trade receivables.

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

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 3 months	**1,082,949**	619,775
4 – 6 months	**75,829**	124,636
7 – 9 months	**57,954**	68,726
10 – 12 months	**46,496**	47,863
1 – 2 years	**60,020**	63,443
Over 2 years	**10,555**	13,239
	1,333,803	937,682

(5) Trade and bills payables

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade and bills payables to third parties	**1,210,146**	1,204,403
Trade payables to fellow subsidiaries	**374,189**	699,865
Trade payables to an associate	**7,179**	5,860
Trade payables to related companies *(Note)*	**1,059**	12,185
	1,592,573	1,922,313

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 fellow subsidiaries, an associate and related companies are unsecured, non-interest-bearing and under normal credit year as other trade payables.

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Within 3 months	**923,548**	1,239,218
4 – 6 months	**192,905**	276,028
7 – 9 months	**87,460**	51,804
10 – 12 months	**80,705**	68,396
1 – 2 years	**80,119**	69,741
Over 2 years	**227,836**	217,126
	1,592,573	1,922,313

Trade and bills payables are non-interest-bearing and are normally settled in one to three months.

(6) Derivative financial instruments

As at 30 June 2020, the Group had interest rate swap agreements with total notional principal amount of approximately USD537,195,000 (equivalent to approximately RMB3,803,072,000) (31 December 2019: approximately USD546,631,000, equivalent to approximately RMB3,813,407,000) which will mature in 2031, 2032 and 2033 (31 December 2019: 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% (six months ended 30 June 2019: 3-month LIBOR plus 2.20%).

(7) Interest-bearing bank and other borrowings

As at 30 June 2020 and 31 December 2019, details of the interest-bearing bank and other borrowings are as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Current liabilities		
(i) Bank borrowings		
Secured	**1,324,851**	1,298,978
Unsecured	**6,392,788**	5,022,864
	7,717,639	6,321,842
(ii) Other borrowings		
Unsecured	**33,000**	2,233,000
Interest-bearing bank and other borrowings – current portion	**7,750,639**	8,554,842
Non-current liabilities		
(i) Bank borrowings		
Secured	**14,682,657**	15,124,697
Unsecured	**920,335**	2,057,979
	15,602,992	17,182,676
(ii) Other borrowings		
Unsecured	**109,850**	142,850
Interest-bearing bank and other borrowings – non-current portion	**15,712,842**	17,325,526

As at 30 June 2020, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 45 (31 December 2019: 45) vessels with total net carrying amount of RMB25,718,272,000 (31 December 2019: RMB25,869,196,000) and pledged bank deposits.

(8) Bonds payable

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

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
At the beginning of the period/year	**2,493,477**	3,989,691
Interest charge	**1,148**	3,786
Less: principal repayment	**–**	(1,500,000)
	2,494,625	2,493,477
At the end of the period/year	**2,494,625**	2,493,477

(9) Contingent liabilities and guarantee

(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, (the "**Four Associates**") respectively. Each associate entered into a ship building contract for one LNG vessel. After the completion of each LNG vessel, the Four 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 Four Associates with guarantee (1) for the Four Associates to fulfill 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 Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB58,052,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

(ii) At the 2014 seventh Board meeting, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Group for the Yamal LNG project (the "**Three 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 for the Three Joint Ventures, and provides owner's guarantees to the charterer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively. As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil.And the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB45,309,000).

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to approximately RMB2,672,511,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited (the "**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB35,825,000). The guarantee period is limited to the lease period.

(10) 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, recognized assets and liabilities.

(11) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 30 June 2020 and 31 December 2019.

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 optimal ratio between fixed and floating rates borrowings.

7. Fleet expansion projects

For the six months ended 30 June 2020, the cash inflow from investment activities of the Group, which has been paid for construction and purchase of vessels, remodeling of vessels and investments (in form of both capital increase and loans) into associates and joint ventures, was approximately RMB1.966 billion including capital expenditure of approximately RMB1.442 billion paid for the construction and purchase of new vessels.

In terms of fleet expansion, for the six months ended 30 June 2020, the Group's subsidiaries received 2 oil tankers of 179,000 DWT. The joint ventures and associates took in 1 oil tanker with 65,000 DWT and 1 LNG carriers of 174,000 cubic metres.

As at 30 June 2020, the specific composition of the Group's fleet was as follows:

	Vessel in operation			Vessel under construction	
	Number	Thousand DWT/ thousand cubic metres	Average age	Number	Thousand DWT/ thousand cubic metres
Subsidiaries of the Group					
Oil tanker	142	19,420	9.8	15	2,865
LNG carrier	6	1,050	2.9	3	525
Sub-total	148	19,420/1,050	9.5	18	2,865/525
Long-term charter-in oil tanker	10	2,750	10.9	0	0
Sub-total	10	2,750	10.9	0	0
Joint ventures and associates					
Oil tanker	11	680	10.4	3	145
LNG carrier	30	5,030	3.9	2	348
Sub-total	41	680/5,030	5.6	5	145/348
Total	199	22,850/6,080	8.8	23	3,010/873

8. Epidemic Prevention and Control

After the COVID-19 outbreak, the Group immediately formulated the Plan for Prevention of Novel Coronavirus Pneumonia in Vessels, and actively channeled resources to ensure the supply of anti-epidemic items. As of the date of the report, over 500,000 masks, 357 infrared electronic thermometers, 7,716 medical goggles, 13,855 bottles of disinfectant and 8,131 bottles of alcohol have been distributed to the vessels operated by the Group, and 14,012 protective gowns have been provided for the vessels that need the gowns according to the special requirements of some ports. The Group kept abreast of the developments of COVID-19 and adjusted work priorities in a timely manner. After COVID-19 was effectively contained in China, the prevention and control focus has been shifted to imported cases and thus guaranteed the result of "zero imported case and zero infection", safeguarding the health of crew members.

Given strict anti-epidemic efforts around the world, crew changes became the biggest difficulty facing the shipping industry in the first half of 2020. The Board and the management of the Group took it very seriously and quickly set up a special group to establish a work shift mechanism and adjust it according to the developments of COVID-19. By tracking the shift change policies of major ports at home and abroad in real time, the Group formulated the Weekly Shift Schedule based on the principles of "making policies on a port-by-port basis" and "one vessel, one policy". Since 1 February 2020, the Group has been carrying out a dynamic analysis on the extension of crew service and established the Table for Dynamic Tracking of Extension of Crew Service with a focus on the crew members who served quite a long time abroad. The Group also innovatively completed ship-to-ship non-contact shift changes. During the non-contact shift change process, the outgoing crew members in key positions recorded on-the-spot explanation videos in advance and kept them for the incoming crew members to ensure the smooth handover of important work responsibilities. Since the COVID-19 outbreak, the Group's crew changes have gone through three stages: First stage (21 January 2020 to the end of February 2020): crew changes were suspended; second stage (2 March 2020 to 18 June 2020): domestic crew changes were allowed thanks to the swift containment of COVID-19 in China; third stage (19 June 2020 to the present): crew changes were carried out at home and abroad simultaneously under the normalization of epidemic prevention. As of the date of this report, a total of 2,900 crew members have changed shifts, involving 99% self-owned vessels, and mental health examination has been provided for over 3,800 crew members to ensure the safe operation of vessels and the crew's physical and mental health.

The Group formulated the Implementation Plan for Nine Measures of Caring for Crew During the Epidemic based the action plan of "caring for the crew for safety of the ship". As of the end of August 2020, the Group has paid service extension allowances to about 700 crew members with a total amount of approximately RMB5.9 million. Meanwhile, the Group also developed a family assistance plan for the families of crew members who have served aboard for more than a year. According to the plan, the Company purchased "anti-epidemic health kits" for the families of crew members whose service was extended, sent condolence letters and condolence payments to their families, and organized crew companies and crew wives stations to visit families of crew members in difficulty, in an effort to help their families deal with difficulties in life.

In the first half of 2020, faced with global challenges, the Group exerted its influence in the industry and made full use of the advantages of major shareholders in the whole industry chain to mobilize various stakeholders, including China Shipowners' Association, Maritime Safety Administration, ports, shipping agents and crew companies, to jointly address and promote crew changes. The solid safety record and satisfactory business performance of the Group are inseparable from the perseverance and dedication of the crew, as well as the sincere cooperation and mutual trust of onshore and onboard staff.

9. Outlook and highlights for second half of 2020

(1) Competitive landscape and development trends in the industry

International oil shipping market

In the second half of 2020, global oil demand is expected to gradually revive with the lifting of lockdown measures in various countries. Nevertheless, oil transportation volume may remain subdued given the unprecedented high oil inventories. Crude oil exports from the United States has temporarily decelerated, and the phased output reduction plan of OPEC+ continues. Hence, tonne-mile demand of global tankers is expected to remain weak. The COVID-19 trajectory, international political and economic trends and oil fundamentals still involve significant uncertainties, posing greater challenges to the market.

On the tanker supply side, tonnage strangled in port congestion will be released as demand rebounds, and the drydocking schedules delayed due to the strong market in the first half of the year will absorb part of that tonnage. As the tanker orderbook remains at a record low level, pace of new deliveries is expected to be slow, which, coupled with the tailwinds from the age profile of global tanker fleet, will provide room for the market to rebalance. By the end of June 2020, approximately 6.1% of global crude tankers were aged over 20 years, including approximately 46 VLCCs, which would potentially accelerate scrapping and continue to improve tanker supply.

Domestic Tanker Market

Domestic offshore oil shipping: as domestic energy companies continue to increase capital expenditure in oil and gas exploration under the state emphasis on security of oil and gas supply, multiple offshore oil projects have been put into operation. In the long run, the demand for domestic offshore crude oil transportation will remain stable with positive momentum.

Domestic crude oil transshipment: the concentrated arrival of imported crude oil at ports and the shortage of domestic storage capacity continue to stimulate the demand for domestic transshipment. In the short term, the domestic oil transshipping market is expected to stay strong. In the medium to long term, large-scale refining and chemical integration projects in China will come on stream and expand. This will contribute to the growing petrochemical production capacity in China, and storage capacity at crude oil transshipping ports will increase in tandem to support more active trading. Nonetheless, as construction of larger terminals and transshipping pipelines might offset certain tanker transshipping demand growth, the domestic oil transshipment market is expected to remain stable overall.

Domestic product oil shipping: in the short term, the development of large-scale refining and chemical integration projects will increase the production capacity of product oil and its shipping demand. In the long term, the product oil supply differential between Northern China and Southern China will gradually narrow, and the distribution of domestic petrochemical capacity will further improve. As a result, domestic product oil shipping market is likely to see voyages of shorter distance and require larger vessels.

LNG Transportation Market

The global LNG trade volume would continue to be adversely affected by the COVID-19 epidemic. LNG liquefaction capacity growth will be mild in 2020-2023 while a large number of LNG carriers will be delivered, which would aggravate the oversupply of LNG vessels. As such, in the short to medium term, the LNG shipping spot market may experience weak dynamics overall; on the contrary, existing project vessels will outperform the market with stable charter rates. In the long term, China and other Asian countries would support the recovery and growth of LNG trade and transportation demand.

(2) Highlights for the second half of 2020

In the second half of 2020, the Group will continue to pursue the "four global leading" targets, navigate through uncertainties to harvest certainties to improve the intrinsic value and stay committed to our mission. The Group will mainly focus on the following tasks:

Strategic planning: keeping up effective strategy execution, the Group will review business development during the "thirteenth five-year" period and formulate sound strategic plans for the "fourteenth five-year" period to guide the Group's future development.

Value creation: the Group will expand the overseas strategic network by seizing structural opportunities in trade to create areas of business growth, create economies of scale from better tonnage combination upon the introduction of new vessels, arrange integrated domestic and international trade voyages, and provide enhanced logistic solutions and improved adequacy of tanker services to create greater value for customers.

Development of "the second curve": the Group will actively develop LNG shipping projects and strengthen research on mid- to long-term strategic development, while enhancing its core competitiveness in LNG transportation business by facilitating the establishment of LNG ship management company and improving independent LNG ship management capability, as well as nurturing a globalized talent pool of LNG ship crew team in collaboration with various industry partners.

Cost control: the Group will strengthen centralized procurement and standardized management and take advantage of economies of scale to achieve cost cuts. The Group will procure bunker fuel at spot and fixed pricing with flexibility to lower fuel costs, and optimize funding arrangements to elevate capital efficiency and reduce financial expenses.

Safety management: the Group will upgrade the "three-in-one" safety management system to carry out refined management based on vessel types, and put into practice the principle of "caring for the crew for safety of the ship" by strengthening epidemic prevention and control efforts and further implementing people-oriented measures.

Digital transformation: by integrating internal and external resources, the Group will give full play to digitization in analysis, decision-making and service provision to excel in navigation safety, market research and smart operations.

Talent development: the Group will continue to carry out the "5+N" training scheme to build up a talent pool with continuous education to meet the standards of "excellence, efficiency and precision". The Group will ensure that the right people match the right jobs, and encourage a working environment of teamwork spirit and healthy competition.

III. OTHER MATTERS

1. Completion of the Proposed Non-public Issuance of A Shares

On 17 March 2020, the Company has completed the Proposed Non-public Issuance of A Shares and registered such new shares with the China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of Shares increased from 4,032,032,861 Shares to 4,762,691,885 Shares, and the total number of A Shares increased from 2,736,032,861 A Shares to 3,466,691,885 A Shares.

The proceeds raised from the Proposed Non-public Issuance of A Shares are intended to be used for the construction of 14 additional oil tankers, and for the completion of acquisition of two Panamanian oil tankers previously entered into.

Basic Information on the Proposed Non-public Issuance of A Shares

(1) Class of Shares: A Shares

(2) Nominal value per Share: RMB1.00

(3) Number of Shares issued: 730,659,024 A Shares

(4) Issue price: RMB6.98 per A Share

(5) Net price: Approximately RMB6.95 per A Share

(6) Market price of A Share on the price determination date (being March 4, 2020): RMB5.88 per A Share

(7) Gross proceeds: RMB5,099,999,987.52

(8) Costs of the issuance: RMB23,993,881.71 (taking into account the deduction of value-added tax: RMB23,126,594.94)

(9) Net proceeds: RMB5,076,006,105.81

The following sets forth the results of the Proposed Non-public Issuance of A Shares and certain information on the subscribers:

No.	Name of subscriber	Number of A Shares subscribed	Subscription amount *(RMB)*	Lock-up period
1.	COSCO SHIPPING	601,719,197	4,199,999,995.06	36 months
2.	Dalian Shipbuilding Industry Group Co., Ltd. * (大連船舶重工集團有限公司)	85,959,885	599,999,997.30	12 months
3.	Hudong Zhonghua Shipbuilding (Group) Co., Ltd.* (滬東中華造船(集團)有限公司)	42,979,942	299,999,995.16	12 months
	Total	**730,659,024**	**5,099,999,987.52**	

Details of the usage of the proceeds raised:

unit: RMB million

No.	Project	Net proceeds	Utilized proceeds as of 30 June 2020	Unutilized proceeds as of 30 June 2020	Expected timeline for the use of unutilized proceeds
1	Acquisition of 14 oil tankers	4,688.23	2,063.34	2,624.89	It is expected that the unutilised proceeds is expected to be used in full in 2021, subject to changes due to the delivery time of vessels and actual payment of the funds
	Including: 4 VLCC oil tankers	1,971.51	488.70	1,482.81	
	3 Suez oil tankers	992.10	307.41	684.69	
	3 Aframax oil tankers	778.04	755.38	22.66	
	2 LR2 product oil tankers	531.67	164.74	366.93	
	2 Panamax oil tankers	414.90	347.11	67.79	
2	Acquisition of two Panamax oil tankers (72,000-tonne class)	387.78	387.78	0	
Total		**5,076.01**	**2,451.12**	**2,624.89**	

2. Events After The Reporting Period

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

3. Compliance with the Corporate Governance Code

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

The Company has established five special committees under the Board, including an audit committee (the "**Audit Committee**"), a remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"), a strategy committee (the "**Strategy Committee**"), a nomination committee (the "**Nomination Committee**") and a risk control committee (the "**Risk Control Committee**") with defined terms of reference.

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

Under code provision A.6.7 of the Corporate Governance Code, independent non-executive directors and non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Ruan Yongping (then independent non-executive Director) attended the annual general meeting of the Company held on 22 June 2020 (the "**AGM**"). However, Mr. Feng Boming (then non-executive Director), Mr. Zhang Wei (then non-executive Director), Ms. Lin Honghua (then non-executive Director) were unable to attend the AGM due to their prior commitments. Mr. Rui Meng (independent non-executive Director), Mr. Ip Sing Chi (then independent non-executive Director), and Mr. Teo Siong Seng (independent non-executive Director) were unable to attend the AGM due to the impact of the COVID-19 pandemic.

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.

4. Purchase, Sale or Redemption of the Company's Listed Securities

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

5. Audit Committee

The Board has established the Audit Committee to review the financial reporting procedures of the Group and to provide guidance thereto. The audit committee comprises three independent non-executive Directors, namely Mr. Victor Huang (chairman), Mr. Rui Meng, and Mr. Teo Siong Seng.

The Audit Committee has reviewed the interim results and the interim report of the Company for the Reporting Period and agreed with the accounting treatment adopted by the Company.

6. Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee comprises three independent non-executive Directors, namely Mr. Li Runsheng (chairman), Mr. Rui Meng and Mr. Teo Siong Seng. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the relevant requirements of the Corporate Governance Code.

7. Nomination Committee

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Rui Meng (chairman), Mr. Victor Huang and Mr. Li Runsheng. The Nomination Committee reviews the structure, the size and the composition of the Board and the policy regarding Board diversity, and identifies individuals suitably qualified to become Board members, makes recommendations to the Board and assesses the independence of all independent non-executive Directors.

8. Strategy Committee

The Strategy Committee comprises eight members (including two executive Directors, two non-executive Directors, and four independent non-executive Directors), namely Mr. Liu Hanbo (chairman), Mr. Zhu Maijin, Mr. Zhang Qinghai, Mr. Liu Zhusheng, Mr. Rui Meng, Mr. Teo Siong Seng, Mr. Li Runsheng and Mr. Zhao Jinsong. It is responsible for the consideration, evaluation and review of investment projects and making recommendations to the Board on proposed major investments, acquisitions and disposals, and conducting post-investment evaluation of investment projects. It also reviews and considers the overall strategy, which covers the strategies of sustainable development, environment, social and governance and business development of the Company.

9. Risk Control Committee

In order to effectively to promote the rule of law of listed companies as required by supervisory agencies at home and abroad, and to give full play to the functions of special committees of the Board in the rule of law and risk control management, in 2019, the Company's Board approved the establishment of the Risk Control Committee. The Risk Control Committee consists of three members (including one executive Director and two independent non-executive Directors), namely Mr. Zhao Jinsong (chairman), Mr. Liu Hanbo and Mr. Rui Meng

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

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

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

11. Employees

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

As at 30 June 2020, the Company had 6,876 employees (as at 30 June 2019: 6,720). During the Reporting Period, the total staff cost of the Company was approximately RMB968 million (for the same period in 2019: approximately RMB886 million).

12. Investor Relations

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

The Company has maintained on investor relations section on its website at http://energy.coscoshipping.com to disseminate information to its investors and shareholders on a timely basis.

13. Supplementary Information to be Published on the Websites of The Stock Exchange of Hong Kong Limited and the Company

In accordance with the requirements of the Listing Rules, details of the Group's financial and related information will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://energy.coscoshipping.com).

The financial information set out above does not constitute the Company's statutory financial statements for the Reporting Period, 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 will be delivered to shareholders of the Company as well as made available for download on the Company's website.

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Liu Hanbo
Chairman

Shanghai, the PRC
27 August 2020

As at the date of this announcement, the Board comprises Mr. Liu Hanbo and Mr. Zhu Maijin as executive Directors, Mr. Zhang Qinghai and Mr. Liu Zhusheng as non-executive Directors, Mr. Rui Meng, Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng and Mr. Zhao Jinsong as independent non-executive Directors.

* *For identification purposes only*