DELIVER ENERGY FOR YOU

ANNUAL REPORT 2018

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

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

(Hong Kong Stock Exchange Stock Code: 01138)
(Shanghai Stock Exchange Stock Code: 600026)

CONTENT

COMPANY PROFILE

COSCO SHIPPING Energy Transportation Co., Ltd. ("COSCO SHIPPING Energy" or "the Company", together with its subsidiaries, the "Group") is a specialised company engaging in shipment of oil, liquefied natural gas, and chemicals, operating under China COSCO SHIPPING Corporation Limited. It is structured in the first half of 2016 by China Shipping Development Company Limited (01138.HK, 600026.SH) divesting its dry bulk business and combining with Dalian Ocean Shipping Company Limited. Headquartered in Shanghai, its principal subsidiaries include COSCO SHIPPING Tanker (Shanghai) Co., Ltd. ("Shanghai Tanker"), COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("Dalian Tanker"), COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., COSCO PetroChina SHIPPING Co., Ltd., China Shipping Development (Hong Kong) Marine Co., Limited, COSCO SHIPPING Tanker (Singapore) Pte. Ltd., COSCO SHIPPING Tanker (UK) Company Limited and COSCO SHIPPING Tanker (USA) Company Limited.

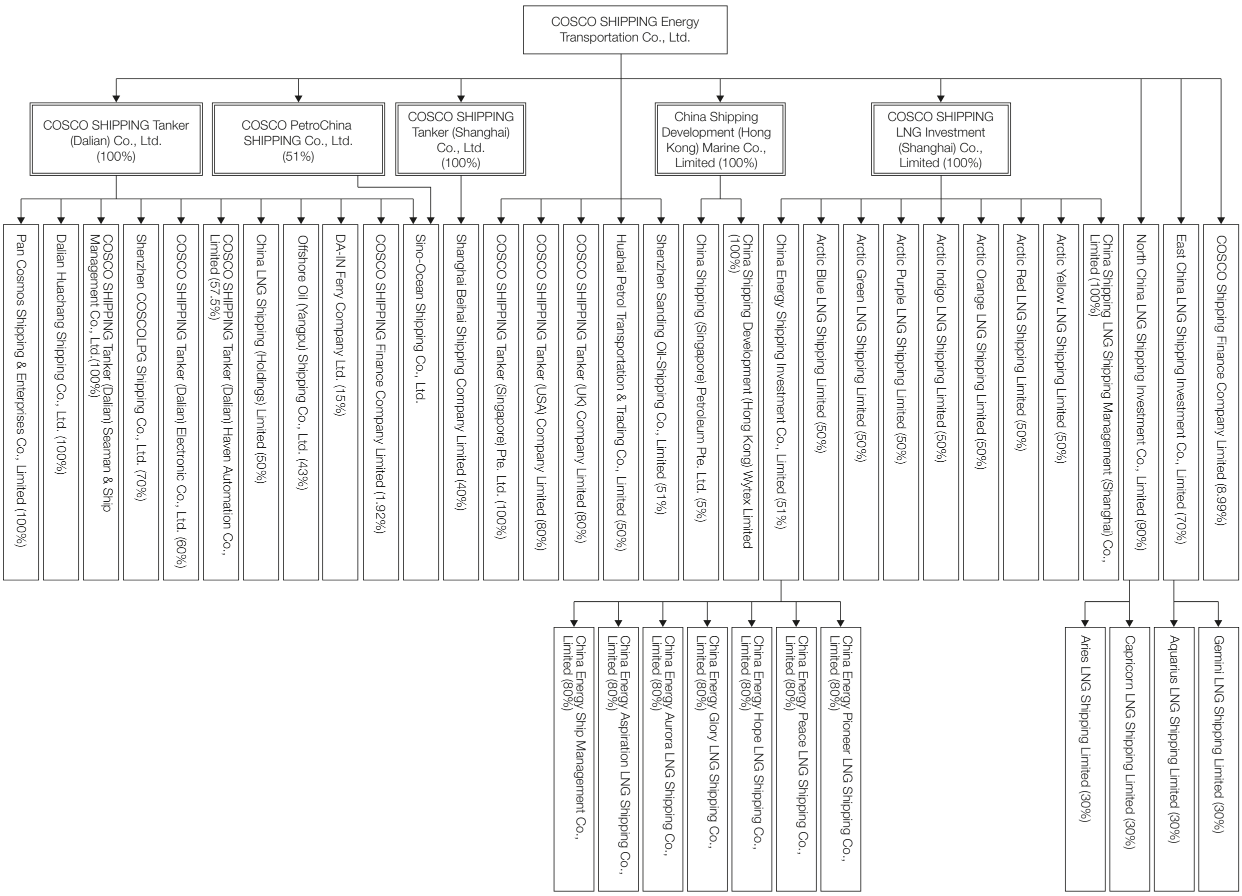
As at 31 December 2018, COSCO SHIPPING Energy owned and controlled 151 oil tankers with a total capacity of 21.88 million Dead Weight Tonnage ("DWT"), ranking No.1 worldwide in terms of tanker shipping capacity, including 137 self-owned oil tankers with a capacity of 19.02 million DWT, 14 leased oil tankers with a capacity of 2.87 million DWT, and an order of 16 oil tankers with a capacity of 3.06 million DWT.

As of 31 December 2018, COSCO SHIPPING Energy 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.

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

COSCO SHIPPING Energy is committed to being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients. It will rely on the "Belt and Road" Initiative, targeted at serving the globalized strategy of oil giants and strategic partners, to provide clients with globalized and round-the-clock energy shipping services with all vessel types.

As at 31 December 2018, the composition of the Group were as follows:



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2017	2016	2015	2014
		(Restated)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from continuing operations	**12,099,685**	9,504,935	9,808,889	10,709,298	12,273,849
Profit before tax from continuing operations	**413,063**	2,055,013	1,533,373	3,022,077	321,993
Profit for the year from continuing operations	**293,406**	1,893,369	1,210,326	2,784,955	401,827
Profit/(loss) from discontinued operation, net of tax	**–**	–	760,501	(1,527,222)	–
Profit for the year	**293,406**	1,893,369	1,970,827	1,257,733	401,827
Profit for the year attributable to owners of the Company	**74,679**	1,774,648	1,932,524	1,180,921	309,413
		(Restated)			
	RMB	RMB	RMB	RMB	RMB
Earnings per share	**0.0185**	0.4401	0.4793	0.2970	0.0909
Dividend per share	**0.02**	0.05	0.19	0.10	0.03

	At 31 December				
	2018	2017	2016	2015	2014
		(Restated)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**63,416,267**	60,388,872	58,309,476	85,925,448	80,947,134
Total liabilities and non-controlling interests	**35,224,647**	32,465,629	30,896,387	54,218,230	55,239,800
Equity attributable to owners of the Company	**28,191,620**	27,923,243	27,413,089	31,707,218	25,707,334
		(Restated)			
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.992**	6.925	6.799	7.864	7.384

1. THE MAIN BUSINESSES, OPERATING MODEL OF THE COMPANY AND CONDITIONS OF THE INDUSTRY DURING THE YEAR ENDED 31 DECEMBER 2018 (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 Organizations of the Petroleum Exporting Countries ("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-China (TD3C) route is World Scale 56.68, 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 Renminbi ("RMB") 12,099.7 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 (Earnings Before Interest, Taxes, Depreciation and Amortization) 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)

* LPG: Liquefied Petroleum Gas

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

Transportation volume	**2018**	2017	Increase/ (decrease)	**2018**	2017	Increase/ (decrease)
	('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

(1) 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** *(billion tonne-nautical miles)*	**Operating revenue** *(RMB'000)*	**Net profit** *(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** *(billion tonne-nautical miles)*	**Operating revenue** *(RMB'000)*	**Net profit** *(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 *RMB'000*	31 December 2017 (Restated) *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 *RMB'000*	31 December 2017 *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 and contract assets of RMB1,148,022,000 (31 December 2017: RMB513,039,000) are denominated in United States Dollar ("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 *RMB'000*	31 December 2017 *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 *RMB'000*	31 December 2017 *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	31 December 2017
	RMB'000	*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

	31 December 2018	31 December 2017
	RMB'000	*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

	2018	2017
	RMB'000	*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 *RMB'000*	31 December 2017 *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 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, 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 United States Dollar ("USD") and Hong Kong Dollar ("HKD") against RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities.

As at 31 December 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

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.

CORPORATE GOVERNANCE REPORT

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

I. IMPROVEMENT OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

In 2018, the Company formulated the "External Guarantee Management System", "Foreign Investment Management System" and "Accumulated Vote System" to regulate the Company's external guarantees and investment behavior, protect property safety, control financial and operational risks. And the "Management System for Related Party Transactions" was revised to further improve standard operation and to protect legitimate rights and interests of the Company and all shareholders.

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

II. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

1. IMPLEMENTATION OF INTERNAL CONTROL

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

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

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

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

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

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

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

In 2017, in accordance with the requirements of comprehensive risk management, the Company continued to strengthen the construction of rules and regulations, and compiled 16 new rules and regulations; enhanced comprehensive risk prevention and control, carried out annual and special risk assessments and reports, and conducted risk event prompts. The Company emphasized the establishment of the internal control system, completed the internal control manual (first draft), and carried out annual internal and special internal control evaluations. What had been done has laid a solid foundation for comprehensive risk management and provided firm support and guarantee.

In 2018, based on the conditions of the reform, we further improved the top-level design of the rules and regulations for the headquarters, combined new functional responsibilities with business processes, continued to carry out the headquarters rules and regulations system, and simultaneously expanded the system to all the Company's affiliates. By all these efforts, we have enhanced the Company's comprehensive risk management system.

2. MANAGEMENT STRUCTURE

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

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

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

The Audit Committee is established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities are reviewing the Company's financial control, internal control and risk management systems; discussing with the management on the internal control system to ensure the management has performed its duties in establishing an effective internal control system; evaluating the appropriateness of the design of listed companies' internal control systems; reviewing the self-evaluation report on internal control; reviewing the internal control audit report issued by external audit firms, and discussing with external audit firms on problems found and improvements; evaluating internal control evaluation and audit results, thereby supervising the rectification of defects on internal control. In 2018, six meetings were held by the Audit Committee to listen to the special reports on the construction of the internal control and risk management system, as well as operation monitoring, and to provide guidance on internal control and risk management efforts.

3. WORK RESULTS OF 2018

In 2018, the Company strengthened the construction of rules and regulations, internal control system, as well as risk management and control, laid a foundation for comprehensive risk management with solid support and guarantee. First, it enhanced the top-level design of the Company's rules and regulations, and formulated the correspondent framework system and construction plan according to the status quo of the reform. Second, it divided the eight companies at home and abroad into three categories: direct companies, holding companies, and overseas satellite offices. According to the three stages of full investigation and problem diagnosis, plan refinement and construction undertaking, system implementation and evaluation, the Company has simultaneously promoted the establishment of rules and regulations. Third, based on the reform plan, taking a strategy-oriented, customer-centered, operation-based perspective, the Company has built a operational procedure framework, formulated core process, designed KPI indicators to be incorporated in performance appraisal systems, and proposed IT requirements to establish simple and efficient management chain that is smooth and pragmatic. Fourth, according to the organizational structure, functional responsibilities and operation procedure after the reform, the Company has further standardized the process and started the improvement of the internal control manual of it headquarters. At the same time, the Shanghai LNG internal control manual has been completed with the intention to carry out relevant training when occasion matures. Fifth, the Company has launched the annual risk management to crack down the 10 major risks in 2018 with tracking and countermeasures implementation throughout the whole process. And the 2019 risk management report has been completed with careful study of the Company's overall risk management strategy to provide support for future reform and development, project promotion, and new business exploration. Sixth, the Company has improved the special risk assessment mechanism to ensure 100% coverage of investment projects, long-term chartering, overseas mergers and acquisitions, upstream and downstream business extension. The transformation from project risk assessment to the whole process and all-round risk management and control has been gradually realized. Seventh, the early warning mechanism for emergency risks has been perfected, prioritizing changes on the international political and economic environment, international rules and conventions, the Company's external environment, and customer credit, by early warning and indication of crucial risks thus to ensure that the Company can respond to external risk events in a timely manner.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

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

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

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

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

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

As authorized by the Shareholders' Meeting of the Company, the Board of Directors approved the granting of 35,460,000 share options to 133 participants on December 27, 2018.

V. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

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

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

According to the requirements of code provision E.1.2, the Chairman of the Board should attend the annual general meeting and invite the Chairman of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees, where appropriate, to attend the meeting. The annual general meeting of the Company held on 28 June 2018 ("2018 AGM") was presided by Mr. Huang Xiaowen (executive Director and chairman of the Board). In addition, Mr. Lu Junshan (executive Director), Mr. Feng Boming, Mr. Zhang Wei (non-executive Directors), and Mr. Ruan Yongping (independent non-executive Director and chairman of the Audit Committee) attended the 2018 AGM and answered Shareholders' questions related to corporate governance of the Company.

As provided for in code provision A.6.7, executive directors, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Lin Honghua (non-executive Director), and Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng (independent non-executive Directors) were unable to attend the 2018 AGM due to prior commitments. In addition to the 2018 AGM, Mr. Huang Xiaowen (executive Director and chairman of the Board), Mr. Liu Hanbo (executive Director), Mr. Feng Boming, Mr. Zhang Wei (non-executive Directors), and Mr. Ip Sing Chi, Mr. Teo Siong Seng (independent non-executive directors) were unable to attend the first extraordinary general meeting held on 26 February 2018 due to prior commitments. Mr. Lu Junshan (executive Director), Mr. Feng Boming, Mr. Zhang Wei (non-executive Directors), and Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng (independent non-executive directors) 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 Code.

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. In order to ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2018, the Company held 3 general meetings. The table on page 40 of this annual report shows the attendance of the Directors at the general meetings. At the 2018 AGM, 14 resolutions were passed, among which the Report of the Directors for 2017, the Report of Supervisory Committee for 2017, the profit distribution plan for 2017, the remuneration domestic and proposal of the Directors and the Company's supervisors (the "Supervisors") for 2018, and the re-appointment of domestic and international auditors of the Company for 2018 were adopted.

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

The Board is grateful to Shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company ("Company Secretary") at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.

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

3. The Board

(1) The responsibility of the Board

The Board is elected in the Shareholders' meeting.

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

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

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

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

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

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

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

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

(2) Composition of the Board

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

The Directors during the Reporting Period were:

Executive Directors:
Mr. Huang Xiaowen (黃小文) (Chairman)
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)
Mr. Lu Junshan (陸俊山)

Non-executive Directors:
Mr. Feng Boming (馮波鳴)
Mr. Zhang Wei (張煒)
Ms. Lin Honghua (林紅華)

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

Members of the Board, including the Chairman and the chief executive officer (the "CEO") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive Directors. The biographies of all Directors are set out on pages 237 to 244 of this annual report and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

(3) The Responsibility of Directors

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

4. Performance of Independent Non-executive Directors' Duties

The Company has adopted the rules and procedures on independent non-executive Directors' work. In 2018, the Company had four independent non-executive Directors exceeding one-third of the total number of the Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of finance, accounting and corporate management, respectively. Mr. Ruan Yongping, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Ruan Yongping, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this annual report. The four independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance to the Articles and the relevant requirements under the applicable laws and regulations.

In 2018, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive Directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision making process of the Board. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive Directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

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

5. Securities Transactions by Directors

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

6. Board Meetings

In the Reporting Period, the Board convened a total of 12 meetings and considered and passed 42 board resolutions so as to review the financial and operating performance of the Group. The following table shows the attendance of the Directors at the Board meetings and general meetings.

		Rate of attendance for Board meeting	Rate of attendance for General meeting
Executive Directors:			
Mr. Huang Xiaowen (黃小文) (Chairman)		9/11	2/3
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)		12/12	1/3
Mr. Lu Junshan (陸俊山)		12/12	2/3
Non-executive Directors:			
Mr. Feng Boming (馮波鳴)		10/11	1/3
Mr. Zhang Wei (張煒)		10/11	1/3
Ms. Lin Honghua (林紅華)		10/11	2/3
Independent non-executive Directors:			
Mr. Wang Wusheng (王武生)	(Retired on 16 January 2018)	1/1	
Mr. Ruan Yongping (阮永平)		12/12	3/3
Mr. Ip Sing Chi (葉承智)		12/12	0/3
Mr. Rui Meng (芮萌)		12/12	1/3
Mr. Teo Siong Seng (張松聲)		12/12	0/3

* In addition to the Directors' attendance in person to the Board meetings as disclosed in the table above, the following four Directors appointed an alternate to attend Board meetings respectively in 2018: (1) Mr. Huang Xiaowen appointed Mr. Liu Hanbo to attend 2 Board meetings; (2) Mr. Feng Bowen appointed Mr. Liu Hanbo to attend 1 Board meeting; (3) Mr. Zhang Wei appointed Ms. Lin Honghua to attend 1 Board meeting; (3) Ms. Lin Honghua appointed Mr. Feng Boming to attend 1 Board meeting

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

7. Chairman and CEO

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

8. The Professional Committees of the Board

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

(1) Audit Committee

The Audit Committee comprised 3 independent non-executive Directors as at 31 December 2018 with Mr. Ruan Yongping being the Chairman. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least four meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2018, the Audit Committee held 6 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows the attendance of members of the Audit Committee during the Reporting Period:

Members of the Audit Committee	**Rate of attendance**
Mr. Ruan Yongping (阮永平) (Chairman)	6/6
Mr. Rui Meng (芮萌)	6/6
Mr. Teo Siong Seng (張松聲)	6/6

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

The Audit Committee considered the proposals in respect of the annual report of the Company for 2017, appraisal report of the Company's internal control for 2017, the appointment of the Company's domestic and international auditors for 2018 and the interim report of the Company for 2018, and formed the written opinions of the Audit Committee in respect of the Company's annual report for 2017, the draft profit distribution plan for 2017 and the interim report of the Company for 2018.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2018, the Audit Committee held 4 meetings with the external auditors. The Audit Committee reviews the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee not only pays attention to changes in the accounting policies and practices but also complies with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

(2) Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee comprised 4 members, all being independent non-executive Directors with Mr. Ip Sing Chi being the Chairman. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the terms of reference referred to in the Code are as follows:

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

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

In 2018, the Remuneration and Appraisal Committee held three meetings, and all members attended the meeting. In the meeting, the Remuneration and Appraisal Committee assessed performance of executive Directors, reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2017. The Company's remuneration policy for 2017 is based on the market practice, the operating results achieved by the Company and the qualification, duties and responsibilities of Directors. The Remuneration and Appraisal Committee also considered the proposals on adjusting and implementing share option incentive plan of the Company, adjusting the List of Incentives for share option incentive plans and grant and granting of share options under the revised A share option incentive scheme.

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

Members of the Remuneration and Appraisal Committee	**Rate of attendance**
Mr. Ip Sing Chi (葉承智) (Chairman)	3/3
Mr. Ruan Yongping (阮永平)	3/3
Mr. Rui Meng (芮萌)	3/3
Mr. Teo Siong Seng (張松聲)	3/3

(3) Strategy Committee

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

During 2018, the Strategy Committee held one meeting, reviewing the proposal on the '13th Five Year Plan' development strategy of the Company. The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

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

(4) Nomination Committee

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

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. When the Nomination Committee considers it appropriate, it invites nominations of candidates from Board members or any person and makes recommendations for the Board's consideration and approval.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including:

(a) reputation for integrity;
(b) experience in shipping industry and/or business strategy, management, legal and financial aspects;
(c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;
(d) the perspectives and skills that the proposed candidate is expected to bring to the Board;
(e) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
(f) commitment in respect of available time and relevant interest; and
(g) in the case of selection for Independent Non-Executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

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

In 2018, the committee convened one meeting to consider the issue of election of the members of the ninth term of the supervisory committee of the Company, and relevant proposal was submitted to the Board for approval.

The following table shows the attendance of members of the Nomination Committee during the Reporting Period:

Members of the Nomination Committee	**Rate of attendance**
Mr. Rui Meng (芮萌) (Chairman)	1/1
Mr. Ruan Yongping (阮永平)	1/1
Mr. Ip Sing Chi (葉承智)	1/1

9. Accountability and Audit

Financial Reporting

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

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

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

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

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

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2018. ShineWing Certified Public Accountants LLP and PricewaterhouseCoopers, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditor's reports on the consolidated financial statements for the year ended 31 December 2018.

Change of Auditors

By a resolution passed at the annual general meeting of the Company held on 28 June 2018, the Company has appointed ShineWing Certified Public Accountants LLP ("ShineWing") as its domestic auditor in place of Baker Tilly China Certified Public Accountants LLP, and PricewaterhouseCoopers as its international auditor in place of Baker Tilly Hong Kong Limited, in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China and the Ministry of Finance of the People's Republic of China. Details of the change of auditors are set out in the Company's announcement dated 31 May 2018 and supplemental circular dated 8 June 2018.

External Auditors and Their Remuneration

The external auditors provides an objective assessment of the financial information presented by management, and is considered one of the essential elements to ensure effective corporate governance. The Company hired ShineWing (Special General Partnership) as the 2018 domestic audit institution, and hired PricewaterhouseCoopers as the overseas audit institution. The review/audit scope was basically consistent with that of 2017. Next, the Shareholders' meeting approved ShineWing's 2018 annual review/audit expenses of RMB2.29 million, and PricewaterhouseCoopers of RMB2.86 million. The total cost was RMB5.15 million (including tax and travel expenses).

If there is a significant change in the coverage of the audit services provided by ShineWing and PricewaterhouseCoopers, the specific amount of the audit fees for the domestic and foreign audit institutions in 2018 should be determined by the Board of Directors or the authorized person of the Board under the authorization by the Shareholders' Meeting.

Approved by the second Board Meeting of the Company held on March 27, 2019, the mid-term audit fee for 2018 was increased by RMB1.4 million, ShineWing and PricewaterhouseCoopers each takes 700,000 yuan.

Besides, the Group paid ShineWing and Pricewaterhouse Coopers other audit fee RMB173,000 and RMB318,000 respectively and paid Pricewaterhouse Coopers RMB720,000 for internal control consultancy services in 2018.

Internal Controls

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

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

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

Internal Audit

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

Inside Information

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

10. Delegation by the Board of Directors

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

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

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

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

During the Reporting Period, the Company has also organised one briefing session conducted by Guotai Junan Securities Co., Ltd. for the Directors. The briefing sessions covered topics including development of capital market of People's Republic of China.

A summary of training received by the Directors since 1 January 2018 up to 31 December 2018 is as follows:

Name	**Programme**
Executive Directors:	
Mr. Huang Xiaowen (黃小文) (Chairman)	A, B
Mr. Liu Hanbo (劉漢波) (Chief Executive Officer)	A, B
Mr. Lu Junshan (陸俊山)	A, B
Non-executive Directors:	
Mr. Feng Boming (馮波鳴)	A, B
Mr. Zhang Wei (張煒)	A, B
Ms. Lin Honghua (林紅華)	A, B
Independent non-executive Directors:	
Mr. Ruan Yongping (阮永平)	A, B, C
Mr. Ip Sing Chi (葉承智)	A, B
Mr. Rui Meng (芮萌)	A, B
Mr. Teo Siong Seng (張松聲)	A, B

Notes:

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

B: Reading materials regarding updates on the Board practice and development, corporate governance and regulation

C. Participate in training organized by the Shanghai Securities Regulatory Bureau

In 2018, the Company Secretary took no less than 15 hours of relevant professional training and complied with Rule 3.29 of the Listing Rules.

12. Supervisory Committee

At the end of the Reporting Period, the Supervisory Committee consists of 4 members, of which two Supervisors are elected from the staff as representatives of the employees of the Company. The Supervisors during 2018 were:

Mr. Weng Yi (翁羿) (Chairman)	
Mr. Yang Lei (楊磊)	(Appointed on 28 June 2018)
Mr. Chen Jihong (陳紀鴻)	(Resigned on 28 June 2018)
Mr. Xu Yifei (徐一飛) (Representatives of the employees)	
Ms. An Zhijuan (安志娟) (Representatives of the employees)	

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2018, the Supervisory Committee convened 8 meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2018, the Supervisory Committee has complied with the principle of creditability to proactively perform their functions. For the details, please refer to the section headed "REPORT OF THE SUPERVISORY COMMITTEE" in this annual report.

13. Dividend Policy

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including the Company and the Group's actual and expected financial performance, general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and the Company's future expansion plan.

14. Investor Relations

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

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

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

PRINCIPAL ACTIVITIES

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

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

SUMMARY FINANCIAL INFORMATION

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

	For the year ended 31 December				
	2018	2017 (Restated)	2016	2015	2014
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**12,099,685**	9,504,935	9,808,889	10,709,298	12,273,849
Operating costs	**(10,304,074)**	(7,251,227)	(7,059,385)	(7,505,633)	(10,885,620)
Gross profit	**1,795,611**	2,253,708	2,749,504	3,203,665	1,388,229
Other income and net gains	**221,919**	878,734	14,727	1,004,508	385,883
Marketing expenses	**(22,805)**	(29,206)	(14,697)	(15,055)	(57,470)
Administrative expenses	**(770,338)**	(633,986)	(707,835)	(498,083)	(441,583)
Other expenses	**(31,761)**	(53,781)	(65,858)	(55,731)	(45,349)
Share of profits of associates	**276,245**	266,902	268,099	215,932	91,083
Share of profits of joint ventures	**231,906**	151,591	163,807	223,506	205,902
Finance costs	**(1,287,714)**	(778,949)	(874,374)	(1,056,665)	(1,204,702)
Profit before tax	**413,063**	2,055,013	1,533,373	3,022,077	321,993
Income tax (expense)/credit	**(119,657)**	(161,644)	(323,047)	(237,122)	79,834
Profit for the year from continuing operations	**293,406**	1,893,369	1,210,326	2,784,955	401,827
Discontinued operation					
Profit/(loss) for the year from discontinued operation, net of tax	**–**	–	760,501	(1,527,222)	–
Profit for the year	**293,406**	1,893,369	1,970,827	1,257,733	401,827
Profit for the year attributable to:					
Owners of the Company	**74,679**	1,774,648	1,932,524	1,180,921	309,413
Non-controlling interests	**218,727**	118,721	38,303	76,812	92,414
	293,406	1,893,369	1,970,827	1,257,733	401,827
Earnings per share	**RMB cents**	(Restated) RMB cents	RMB cents	RMB cents	RMB cents
Basic and diluted	**1.85**	44.01	47.93	29.70	9.09

	At 31 December				
	2018	2017 (Restated)	2016	2015	2014
Assets, liabilities and non-controlling interests	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**63,416,267**	60,388,872	58,309,476	85,925,448	80,947,134
Total liabilities and non-controlling interests	**(35,224,647)**	(32,465,629)	(30,896,387)	(54,218,230)	(55,239,800)
Equity attributable to owners of the Company	**28,191,620**	27,923,243	27,413,089	31,707,218	25,707,334

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

Notes:

1. The consolidated results of the Group for the years ended 31 December 2015 and 2014 are extracted from the Company's 2016 annual report, the consolidated results of the Group for the years ended 31 December 2016 are extracted from the Company's 2017 annual report, while those for the years ended 31 December 2018 and 2017 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 100 and 101 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2014 were extracted from the Company's 2016 annual report, and those as at 31 December 2015 and 31 December 2016 were extracted from the Company's 2017 annual report, while those as at 31 December 2018 and 2017 were prepared based on the consolidated statement of financial position as set out on pages 102 and 104 of the consolidated financial statements.

3. The calculation of basic and diluted earnings per share for the year ended 31 December 2018 is based on the profit attributable to owners of the Company for that year of RMB74,679,000 and weighted average number of 4,032,033,000 ordinary shares.

4. The calculation of basic and diluted earnings per share for the year ended 31 December 2017 is based on the profit attributable to owners of the Company for that year of RMB1,774,648,000 and weighted average number of 4,032,033,000 ordinary shares.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 100 to 104.

No net profit has been transferred to the statutory surplus reserve as the Company's statutory surplus reserve has reached the statutory minimum standard extract at the end of 2018. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under accounting principles generally accepted in the PRC ("PRC GAAP") and the amount determined under HKFRS.

The Board recommend the payment of a final dividend of RMB2 cents per share in respect of the year to the Shareholders. There was no arrangement under which a Shareholder has waived or agreed to waive any dividends. The proposed final dividend is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the Reporting Period.

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

BUSINESS REVIEW

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

A fair review of the Company's business

Please refer to the section of "ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE REPORTING PERIOD" and "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on pages 7 to 13 of this annual report.

A description of the principal risks and uncertainties facing the Company

(1) The risk of macroeconomic fluctuations

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

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

Shipping boasts the advantages of large capacity and low price, serving as a major mode of transportation for commodities, particularly for cargoes such as petroleum, coal and iron ore. But other modes of transportation still pose some threat to shipping. For example, the establishment of crude oil pipelines and deep water terminals at coastal ports of the PRC will reduce the demand for transshipment of crude oil. Therefore, although China has secured cruel oil import growth in recent years, the volume of transshipments of crude oil, due to the above factors, failed to increase in proportion to the import volume of crude oil.

(3) The risk of freight rate fluctuations

Freight rate is one of the core factors that determine the Group's profitability level, whose fluctuations will cause uncertainties to the Group's benefits. By the adoption of measures, such as signing COAs with large petroleum enterprises to increase the proportion of domestic oil shipping or establishing joint ventures to offset the fluctuations of freight rates, the Group is able to avoid the risks brought by volatility in shipping market freight rates to a certain extent. However, freight rate fluctuations still exert a relatively huge impact on the Group's business activities.

(4) *The risk of fuel price fluctuations*

The costs of principal operations of the Group mainly include, among other things, fuel costs, port charges, depreciation charges and crew expenses, of which fuel costs account for the largest proportion. From 2017 to 2018, the percentage of fuel costs in the costs of principal operations of the Group was 27.2% and 31.5%, respectively. In recent years, with greater crude oil price fluctuations in the international market, prices of bunker oil rendered more volatility, together with increasing revision and enhancement in new domestic and international requirements of vessel discharge; those would pose greater impact on the fuel costs of the Group. Therefore, future fluctuations in fuel prices will have considerable influence on the costs of principal operations and profitability level of the Group.

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

(5) *The risk of safety in shipping*

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

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

(6) *The risk of higher capital expenditure*

As at 31 December 2018, it is expected by the Group that its fleet will increase by 16 new oil tankers of 3,058,000 DWT in the next three years and the capital expenditure for this time period is expected to be RMB6.45 billion. As the lead time for construction of vessels is relatively long, a substantial amount of capital expenditure will require a longer time to generate benefits, thus the commencement of operation of a large number of new vessels may increase depreciation charges and finance costs, and hence will reduce profitability, within a certain period of time.

(7) *The risk of exchange rate*

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

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

None.

An indication of likely development in the Company's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2019" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 24 to 27 of this annual report.

An analysis using financial key performance indicators

Revenue

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 8 to 13 of this annual report.

Costs and expenses

Please refer to the section of "COSTS AND EXPENSES ANALYSIS" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 13 and 14 of this annual report.

Other income and net gains

Other income and net gains of the Group resulted from the continuing operations of the year was approximately RMB222 million which decreased approximately 75% compared to 2017. The decline in other income and net gains was mainly contributed by the government subsidies which the Group had received approximately RMB407 million less when compared to 2017 and net exchange loss was resulted for the year when compared to net exchange gain in 2017 which also led the decrease in other income and net gains of approximately RMB84 million.

Share of profits of associates and joint ventures

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

Income tax

Income tax of the Group resulted from the continuing operations of the year was RMB120 million which declined approximately 26%. The decline was mainly due to the assessable profits generated from the entities within the Group operating in the PRC was decreased in certain extent which was affected by the fluctuation of the global shipment market of the year.

The Company's environmental policies and performance

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

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

Save for Code Provisions E.1.2 of Corporate Governance Code set out in Appendix 14 to the Listing Rules (for details, please refer to the descriptions on page 34 under the "CORPORATE GOVERNANCE REPORT" herein), the Group has been in compliance with relevant laws and regulations that have a significant impact on the Company.

Key relationships with employees, customers, suppliers and others

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

CHARITABLE DONATIONS

The Group made a donation of approximately RMB4 million during 2018 (2017: RMB4 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

Reference is made to the announcements of the Company dated 31 October 2017, 15 December 2017, 18 December 2017, 27 December 2017, 6 February 2018, 5 March 2018, 9 May 2018 and 30 October 2018, and the circulars of the Company dated 4 December 2017 and 30 November 2018, in respect of, inter alia, the proposed non-public issuance of not more than 806,406,572 A shares by the Company to not more than 10 specific target subscribers (the "Proposed Non-public Issuance of A Shares").

As part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and COSCO Shipping entered into a subscription agreement (the "Subscription Agreement") pursuant to which COSCO Shipping has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of A shares for an amount of not more than RMB4.2 billion under such issuance, subject to approval from the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the China Securities Regulatory Commission.

Save for the Subscription Agreement and the A share option incentive scheme (the Scheme) adopted by the Company on 17 December 2018, no equity-linked agreements that will or may result in the Group issuing shares entered into by the Group subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, as determined based on the lower of the amount determined under PRC GAAP and the amount determined under HKFRS, amounted to RMB8,755,829,000 before the proposed final dividend.

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

BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS

In the Year under Review, the five largest customers of the Group combined accounted for66.45% of the Group's total turnover. The largest customer is China Petrochemical Corporation ("中國石油化工集團有限公司") and the sales to it accounted for 26.06% (in the year of 2017: China Petrochemical Corporation was the largest customer of the Group and represented a sales percentage of 28.58%) (note: customers who are under the control of the same controller have been treated as one customer and data for 2017 has been adjusted accordingly). None of the Directors, Supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

In the Year under Review, the five largest suppliers of materials and services to the Group combined accounted for 53.21% of the Group's total purchases. The largest supplier is COSCO Shipping Corporation Limited ("中國遠洋海運集團有限公司"), and the purchases from it accounted for 32.10% (in the year of 2017: COSCO Shipping Corporation Limited was the largest supplier of the Group and representing a supply proportion of 27.94%) (note: suppliers who are under the control of the same supplier have been treated as one supplier and data for 2017 has been adjusted accordingly). Except as mentioned above, none of the Directors, Supervisors, their close associates, or any Shareholders, who, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

Executive Directors:
Mr. Huang Xiaowen (黃小文)
Mr. Liu Hanbo (劉漢波)
Mr. Lu Junshan (陸俊山)

Non-executive Directors:
Mr. Feng Boming (馮波鳴)
Mr. Zhang Wei (張煒)
Ms. Lin Honghua (林紅華)

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

Supervisors:
Mr. Weng Yi (翁羿)
Mr. Chen Jihong (陳紀鴻) (Resigned on 28 June 2018)
Mr. Yang Lei (楊磊) (Appointed on 28 June 2018)
Mr. Xu Yifei (徐一飛)
Ms. An Zhijuan (安志娟)

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

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors and the senior management of the Group are set out on pages 237 to 244 of this annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the Directors (except Mr. Ruan Yongping and Mr. Ip Sing Chi) and Supervisors has entered into a service contract with the Company, which will expire on 27 June 2021 (or the date of the Company's annual general meeting in 2021, whichever is earlier) and is subject to termination by either party giving not less than three months' written notice.

Mr. Ruan Yongping has entered into a service contract with the Company, which will expire on 21 March 2020, and is subject to termination by either party giving not less than three months' written notice.

Mr. Ip Sing Chi has entered into a service contract with the Company, which will expire on 6 June 2020, and is subject to termination by either party giving not less than three months' written notice.

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

DIRECTORS' REMUNERATION

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

REMUNERATION BY BANDS

The emoluments paid or payable to the Directors, Supervisors and senior management during 2018 fell within the following bands:

Remuneration by bands	Number of Directors	Number of Supervisors	Number of Senior Management
RMBnil to RMB500,000	9	3	1
RMB500,001 to RMB1,000,000	–	–	–
RMB1,000,001 to RMB1,500,000	–	2	1
RMB1,500,001 to RMB2,000,000	–	–	5
RMB2,000,001 to RMB2,500,000	2	–	–

Certain senior management are also executive directors and supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive directors and supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

REMUNERATION AND APPRAISAL COMMITTEE

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

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 46 to the consolidated financial statements, COSCO Shipping Group and its subsidiaries other than the Group provided miscellaneous management and other services to the Group during the year for a total fee of RMB11,861,000 (2017: RMB5,640,000).

PERMITTED INDEMNITY PROVISIONS

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

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

As at the 31 December 2018, so far as was known to the Directors, supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping [(3)]	A	1,536,924,595 (L)	56.17%	38.12%
COSCO Shipping [(4)]	A	1,536,924,595 (L)	56.17%	38.12%
Prudential plc [(5)]	H	170,911,600 (L)	13.18%	4.24%
GIC Private Limited [(6)]	H	129,710,000 (L)	10.01%	3.22%
Eastspring Investments	H	80,206,000 (L)	6.18%	1.99%
JPMorgan Chase & Co. [(7)]	H	77,462,871 (L)	5.97%	1.92%
		778,507 (S)	0.06%	0.02%
		65,381,195 (P)	5.04%	1.62%

Note 1: A – A Share
H – H Share
L – represents long position
S – represents short position
P – represents lending pool

Note 2: As at 31 December 2018, the total issued share capital of the Company was 4,032,032,861 shares of which 1,296,000,000 were H Shares and 2,736,032,861 were A Shares.

Note 3: As at 31 December 2018, such shareholding included 1,536,924,595 A Shares directly held by China Shipping. China Shipping also held (i) 7,000,000 A Shares through CICC-CCB-Zhongjin Ruihe collective asset management schemes* (中金公司－建設銀行－中金瑞和集合資產管理計劃), (ii) 2,065,494 A Shares through Guotai Junan securities asset management-Industrial Bank – Guotai Junan Junxiang Xinli No.6 collective asset management schemes* (國泰君安證券資管－興業銀行－國泰君安君享新利六號集合資產管理計劃), and (iii) 8,641,504 A Shares through AEGON-INDUSTRIAL Fund Management Co., Ltd – China Shipping (Group) Company collective asset management schemes* (興業全球基金－上海銀行－中國海運(集團)總公司). Therefore, China Shipping and its subsidiaries aggregately are interested in 1,554,631,593 A Shares of the Company as at 31 December 2018, representing 38.56% of the total number of shares of the Company.

Note 4: China Shipping is wholly-owned by COSCO Shipping. As such, COSCO Shipping was deemed to be interested in the shares which China Shipping was interested in.

Note 5: Eastspring Investments was a controlled corporation of Prudential plc. Accordingly, Prudential plc was deemed to be interested in the shares which Eastspring Investments was interested in.

Note 6: According to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited held the above shares of the Company as an investment manager.

Note 7: As at 31 December 2018, JPMorgan Chase & Co., through various subsidiaries, had an interest in the H Shares, of which 9,401,676 H Shares (long position) and 778,507 H Shares (short position) were held in its capacity as interest of corporation controlled by it, 80,000 H Shares (long position) were held in its capacity as investment manager, 2,600,000 H Shares (long position) were held in its capacity as person having a security interest in shares, and 65,381,195 H Shares (long position) were held in its capacity as approved lending agent.

Save as disclosed above, as at 31 December 2018, no other person (other than Directors, supervisors or chief executive(s) of the Company) had any interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in this report of the Directors (including but not limited to the connected transactions and continuing connected transactions stated below), as at 31 December 2018 or during the Reporting Period, none of the Directors or Supervisors, or an entity connected with a Director or a Supervisor, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party.

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

As at 31 December 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 Hanbo	A	475,000 (L)	0.02%	0.01%
Lu Junshan	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 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 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the options granted under the Scheme to Mr. Liu Hanbo and Mr. Lu Junshan on 27 December 2018, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2018, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2018 are set out in note 43 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Details of those related party transactions which also constitute non-exempt connected transactions or continuing connected transactions of the Company are disclosed below, in compliance with Chapter 14A of the Listing Rules.

1. In September 2015, the Company entered into a new financial services framework agreement with China Shipping Finance(CS Finance) which became effective subsequent to the approval by independent shareholders at the extraordinary general meeting on held on 28 December 2015. Pursuant to the new financial services framework agreement, CS Finance will continue to provide the Group with similar services provided for in the financial services framework agreement entered into in October 2012 (which related to a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) foreign exchange services; and (v) other financial services as approved by China Banking Regulatory Commission) for a further 3 years commencing from 1 January 2016 to 31 December 2018. The new financial services framework agreement will be automatically renewed for another three years commencing from 1 January 2019 to 31 December 2021 unless either party chooses not to renew the new financial services framework agreement.

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

3. On 29 March 2016, the Company entered into a property lease framework agreement with COSCO Shipping, whereby the Group will continue to provide COSCO Shipping Group and its associates (which associates has the meaning as defined thereto under the Listing Rules) with property and land use right leasing services as well as receive such services from COSCO Shipping Group and its associates. The property lease framework agreement will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018. Both parties may renew the property lease framework agreement on terms and conditions agreed upon by both parties within three months before the expiration of the property lease framework agreement. The rental income received from and rental expenses paid to COSCO Shipping Group and its associates were determined with reference to the prevailing market price.

4. On 28 April 2016, COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("Dalian Tanker"), a wholly-owned subsidiary of the Company, entered into a financial services framework agreement with COSCO Finance Co., Ltd. ("COSCO Finance"), which became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. Pursuant to the financial services framework agreement, COSCO Finance will provide Dalian Tanker Group with a range of financial services including (i) deposit services; (ii) loan and financing lease services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by China Banking Regulatory Commission. The financial services framework agreement will be effective for a term of 3 years commencing from 1 January 2016 to 31 December 2018.

5. On 28 April 2016, Dalian Tanker entered into a materials and services framework agreement with COSCO Shipping which became effective subsequent to the approval by independent shareholders at the annual general meeting held on 20 May 2016. Pursuant to the materials and services framework agreement, COSCO Shipping Group agreed to provide the necessary supporting shipping materials and services (the "Agreed Supplies and Services I") to Dalian Tanker and its subsidiaries (together "Dalian Tanker Group") and also Dalian Tanker Group agreed to provide the necessary supporting shipping materials and services (the "Agreed Supplies and Services II") to COSCO Shipping Group. The materials and services framework agreement will be effective for a term of three years commencing from 1 January 2016 to 31 December 2018. The prices for both the Agreed Supplies and Services I provided by COSCO Shipping Group to Dalian Tanker Group and the Agreed Supplies and Services II provided by Dalian Tanker Group to COSCO Shipping Group will be determined by reference to the prevailing market price and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting material or service at the time in the PRC or overseas (as the case may be) and the price charged to independent third parties by COSCO Shipping Group or Dalian Tanker Group (as the case may be) in the most recent transaction of a similar nature.

6. On 28 June 2017, the Company entered into an insurance services framework agreement (the "Insurance Services Framework Agreement") with COSCO Shipping Capital Insurance Co., Ltd. ("COSCO Shipping Insurance"), a wholly-owned subsidiary of COSCO Shipping. Pursuant to Insurance Services Framework Agreement, COSCO Shipping Insurance will provide vessel-related insurance services (included hull insurance and insurance for voyage policy) to the Group. The Insurance Services Framework Agreement was effective from 1 July 2017 to 31 December 2018 and it may be renewed within 3 months before its

expiry in accordance with the terms agreed by the parties. The Company and its subsidiaries may enter into separate insurance agreements with COSCO Shipping Insurance in respect of a particular insurance service. The scope of insurance under the separate insurance agreements shall fulfill the reasonable requirements of the Group, and will set out in detail the terms regarding the payment of insurance fees. During the term of the Insurance Services Framework Agreement, the Company and its subsidiaries and COSCO Shipping Insurance may adjust the insurance fees with reference to the fair market price in accordance with the separate insurance agreements. The separate insurance agreements will comply with the terms of the Insurance Services Framework Agreement.

7. On 9 April 2018, 23 July 2018 and 18 October 2018, Dalian Tanker entered into the time charter agreement (the "Time Charter Agreement") with CHIMBUSCO Shipping Company Limited("Charterer"), a company incorporated in the PRC with limited liability and a connected person of the Company, pursuant to which Dalian Tanker would provide vessel chartering service in relation to the an Aframax oil products tanker("Vessel"). The terms is agreed as three months (subject to the Charterer's option to shorten or extend such period by 15 days) commencing from the estimated time and date of delivery of the Vessel to the Charterer under the agreement.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2018 in relation to the non-exempt continuing connected transactions of the Group:

Transactions		**Annual cap for the year ended 31 December 2018 ('000)**	**Actual transaction amount for the year ended 31 December 2018 ('000)**
1. Financial Services Framework Agreement of COSCO Finance			
(a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by Dalian Tanker with COSCO Finance	RMB	4,000,000	752,580
(b) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO Finance to Dalian Tanker	RMB	1,500,000	–
(c) Maximum amount of foreign exchange to be transacted during the year	USD	100,000	1,700

Transactions		Annual cap for the year ended 31 December 2018 ('000)	Actual transaction amount for the year ended 31 December 2018 ('000)
2. Financial Services Framework Agreement of CS Finance Company			
(a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with CS Finance	RMB	5,500,000	2,836,501
(b) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by CS Finance	RMB	7,000,000	–
(c) Maximum amount of foreign exchange to be transacted during the year	USD	600,000	–
3. Agreed Supplies and Services			
(a) The necessary supporting shipping materials and services to be provided the Group by COSCO Shipping Group	RMB	8,220,000	3,637,200
4. Agreed Supplies and Services (Dalian Tanker)			
(a) The necessary supporting shipping materials and services provided to Dalian Tanker by COSCO Shipping Group	RMB	3,000,000	1,296,860
(b) The necessary supporting shipping materials and services provided to COSCO Shipping Group by Dalian Tanker	RMB	100,000	11,042
5. Lease Framework Agreement			
(a) Provision of property and land use right leasing services	RMB	35,000	13,534
(b) Receipt of property and land use right leasing services	RMB	32,000	15,923
6. Insurance Services Framework Agreement			
(a) Hull insurance service from COSCO Shipping Insurance	USD	12,000	9,784
(b) Voyage policy service from COSCO Shipping Insurance	USD	4,000	–

Transactions		Annual cap for the year ended 31 December 2018 ('000)	Actual transaction amount for the year ended 31 December 2018 ('000)
7. Time Charter Agreement			
(a) Vessel chartering service to the CHIMBUSCO by Dalian Tanker	RMB	28,091	21,559

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

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

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

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

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

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

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

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

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

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

EMPLOYEES

As at the end of 2018, the Company had approximately 6,854 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the Scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2018, the total staff costs was approximately RMB2.153 billion (2017: approximately RMB1.874 billion).

EMPLOYEE HOUSING

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

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

MEDICAL INSURANCE SCHEME

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

PENSION AND ENTERPRISE ANNUITY SCHEMES

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

No forfeited contributions were available as at 31 December 2018 to reduce future contributions.

SHARE OPTION SCHEME

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

(A) Purpose of the Scheme

The purpose of the Scheme is to:

1. effectively bond the interests of shareholders and the senior management of the Company, maximising shareholders' interest and increasing the value of state-owned assets;

2. ensure the Company offers remuneration and incentive package which is competitive in the PRC labour market, attracting and incentivising key personnel of the Company to strive for the strategic goals of the Company; and

3. align the remuneration of the senior management and key personnel of the Company with the overall performance of the Company through the Scheme, motivating such persons to attend to and jointly strive for the long-term strategic targets of the Company.

(B) Participants of the Scheme

There are up to 133 participants of the Scheme, including Directors (excluding independent non-executive Directors), senior management and other management and core technical personnel of the Group who have direct impact on the operation results and development of the Company. Such participants do not include substantial Shareholders or controllers of the Company who individually or jointly hold 5% or more of the Shares, or their spouse, parents or children.

The allocation of options to be granted to the participants of the Scheme is set out below:

Names	Positions	Share Options to be granted (thousands)	Percentage of the total number of Share Options under this grant (approximately)
Liu Hanbo (劉漢波)	General Manager	475	1.34%
Lu Junshan (陸俊山)	Secretary of Party Committee	475	1.34%
Yang Shicheng (楊世成)	Deputy General Manager	427	1.20%
Qing Jiong (秦炯)	Deputy General Manager	427	1.20%
Xiang Yongmin (項永民)	General Accountant	427	1.20%
Luo Yuming (羅宇明)	Deputy General Manager	427	1.20%
Tu Shiming (屠士明)	Secretary of Committee for Discipline Inspection	427	1.20%
Zhao Jinwen (趙金文)	Deputy General Manager	427	1.20%
Li Zhuoqiong (李倬瓊)	General Counsel, Secretary of the Board	380	1.07%
Zhao Yuguang (趙宇光)	Assistant to General Manager	380	1.07%
Other management and core technical personnel (123 persons)		31,188	87.95%
Total (133 Participants):		35,460	100%

(C) Total number of shares available for issue under the Scheme

The total number of shares subject to the options that may be granted to the participants under the Scheme shall not exceed 35,460,000 shares (being approximately 0.88% of the Company's total issued shares as at the date of this report).

(D) Maximum entitlement of each participant

The number of options to be granted to each participant under the Scheme shall not exceed 1% of the total share capital of the Company as of 30 October 2018.

(E) Vesting period

Vesting period represents the period from the Grant Date to the exercise date of the options, which is 24 months pursuant to the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

(F) Exercise period

The date on which a participant is entitled to exercise his options must be a trading day.

If the conditions of exercise as stipulated under the Scheme are fulfilled after the expiry of a 24-month period from the Grant Date, the participants may exercise their options in stages within the following 60 months as follows:

Exercise period	Duration	Exercise proportion
First exercise period	Commencing on the first trading day after the expiry of a 24-month period from the Grant Date and ending on the last trading day of a 36-month period from the Grant Date	33%
Second exercise period	Commencing on the first trading day after the expiry of a 36-month period from the Grant Date and ending on the last trading day of a 48-month period from the Grant Date	33%
Third exercise period	Commencing on the first trading day after expiry of a 48-month period from the Grant Date and ending on the last trading day of a 84-month period from the Grant Date	34%

If the conditions of exercise are not fulfilled, the options available for exercise during any given exercise period shall not be exercised and shall not be accumulated to the next exercise period, and such portion of the options shall be cancelled by the Company.

If the conditions of exercise are met, but the options available for exercise are not exercised during the relevant exercise period, they will lapse automatically upon expiry of such exercise period.

(G) Exercise price

The exercise price of the options granted to the participants under the Scheme is RMB6.05 per A share (before adjustment as set out in the paragraph below), being the highest of the following:

1. the average trading price of the A shares on the last trading day immediately preceding the 19 December 2017 (being the date of the Company's announcement in relation to the proposed adoption of the initial A share option incentive scheme) (RMB6.02);

2. the average of the trading prices of the A shares for the last 20 trading days immediately preceding 19 December 2017 (RMB6.04);

3. the closing price of the A shares on the last trading day immediately preceding 19 December 2017 (RMB6.01);

4. the average of the closing prices of the A shares for the last 30 trading days immediately preceding 19 December 2017 (RMB6.05); and

5. RMB1.00, being the nominal value of an A share.

As set out in the Company's announcement dated 30 October 2018, on 13 July 2018, the Company has distributed a final dividend of RMB0.05 per share in respect of the period ended 31 December 2017 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Scheme, the exercise price of the options granted to the participants under the Scheme has been adjusted from RMB6.05 per A share to RMB6.00 per A share.

(H) Validity period

The Scheme shall be effective for seven years from the Grant Date.

(I) Movement of options granted under the Scheme

Details of movement of the options granted under the Scheme for the year ended 31 December 2018 were as follows:

	Number of options									
Name or category of participants	As at 1 January 2018	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at 31 December 2018	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
Liu Hanbo (Director)	-	475,000[1]	-	-	-	475,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	6.00
Lu Junshan (Director)	-	475,000[1]	-	-	-	475,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	6.00
	-	950,000	-	-	-	950,000				
Other management and core technical personnel (131 participants)	-	34,510,000[1]	-	-	-	34,510,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	6.00
	-	34,510,000	-	-	-	34,510,000				
	-	35,460,000	-	-	-	35,460,000				

(1) The closing price of the A shares immediately before the date on which the options were granted was RMB4.50.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

None.

By order of the Board
Huang Xiaowen
Chairman

Shanghai, the PRC
27 March 2019

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter refer to as the "Company"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2018 in accordance with the format and requirement provided in the Memorandum for Periodic Work Reporting of Listed Companies (No.5) – Guidance on Independent Non-executive Directors' Work during Annual Duty Reporting Period (《上市公司定期報告工作備忘錄(第五號)—獨立董事年度報告期間工作指引》) as below, and will report the same to shareholders at the annual general meeting of the Company.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

As at 31 December 2018, the Board comprises 10 Directors, including 3 shareholding Directors, 2 management Directors and 4 independent non-executive Directors. The constitution is in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Listing Rules. The independent non-executive Directors are professionals with work experience in the fields of finance, shipping and accounting, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions. The four independent non-executive Directors are Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, the former three directors act as Chairman of the relevant committee (as the case may be), in three professional committees, i.e., the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee under the Board. For further information of the biographical details of the four independent non-executive Directors, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

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

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

1. Attendance of Board Meetings and General Meetings

In 2018, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention on during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2018, the Company convened 12 Board meetings (10 meetings of which were held by way of correspondence) and 3 general meetings. We have reported our duty performance report in the 2018 Annual General Meeting and the Report is published in the Company's website and the website of the Shanghai Stock Exchange.

The following table shows the attendance of independent non-executive Directors at the above meetings in 2018:

Name	**Number of Board meetings/ general meetings required to attend this year** (times)	**Attend Board meetings/ general meetings in person** (times)	**Attend Board meetings/ general meetings by proxies** (times)	**Board meetings/ general meetings absence** (times)
Mr. Ruan Yongping (阮永平)	12/3	12/3	0/0	0/0
Mr. Ip Sing Chi (葉承智)	12/3	12/0	0/0	0/3
Mr. Rui Meng (芮萌)	12/3	12/1	0/0	0/2
Mr. Teo Siong Seng (張松聲)	12/3	12/0	0/0	0/3

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

2. Work of Professional Committees of the Board

During the Reporting Period,

(1) The Strategy Committee of the Board of the Company consisted of 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. Mr. Huang Xiaowen was the Chairman. Mr. Ip Sing Chi, Mr. Teo Siong Seng and Mr. Rui Meng, our independent non-executive Directors, with extensive professional knowledge and work experience in shipping and finance, proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers. During 2018, the Strategy Committee held one meeting to review the "proposal on the '13th Five Year Plan' development strategy of the Company".

(2) The Audit Committee comprised 3 members, all being independent non-executive Directors, and Mr. Ruan Yongping was the Chairman. During 2018, the Audit Committee held 6 meetings, considered the proposals in respect of the Company's 2017 annual financial report, 2017 internal control evaluation report, 2018 domestic and foreign audit institutions hiring, 2018 interim financial report, and formed opinions of the Audit Committee on the company's 2017 financial report, 2017 profit distribution plan and 2018 interim financial report. Relevant opinions were issued for the reference of the Board to ensure the completeness, fairness and accuracy of the Group's consolidated financial statements and the relevant information.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2018, the Audit Committee held 4 meetings with the external auditors. The Audit Committee will first review the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

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

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

(3) The Remuneration and Appraisal Committee was comprised of 4 members, all being independent non-executive Directors and Mr. Ip Sing Chi was the Chairman. In 2018, the Remuneration and Appraisal Committee held three meetings. In the meetings, the Remuneration and Appraisal Committee reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2017. The Company's remuneration policy for 2018 is based on the qualification, duties and responsibilities of Directors. The members also considered the proposals on adjusting and implementing share option incentive plan of the Company, adjusting the List of Incentives for share option incentive plans and grant and granting of share options under the revised A share option incentive scheme.

(4) The Nomination Committee consisted of 3 Directors, all being independent non-executive Directors, and Mr. Rui Meng was the Chairman of the committee. In 2018, the committee convened one meeting to consider the issue of election of the members of the ninth term of the supervisory committee of the Company, and relevant proposal was submitted to the Board for approval.

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

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

1. Connected Transactions

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

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

2. External Guarantee and Funds Embezzlement

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

3. Use of the Raised Funds

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

4. Nomination of Senior Managerial Staff and their Remuneration

In 2018, there is no nomination of senior management.

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

As authorized by the Shareholders' Meeting of the Company, the Board of Directors approved the granting of 35,460,000 share options to 133 participants on December 27, 2018.

We believed that there was no difference between the Company's arrangements for granting share options to participants and the incentive plan. The implementation of this incentive plan by the Company was conducive to the realization of its development strategy and operation objectives, and no harm would be caused to the interests of the Company and all shareholders.

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

5. Results Forecast and Preliminary Financial Data

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

In 2018, influenced by the production cut of major oil-producing countries such as OPEC, US sanctions on Iran and the reduction of Venezuela's crude oil exports, international crude oil prices remained high, and crude oil trade and transportation demand were inhibited. Under the combined effect of the decline in freight rate and the increase in fuel prices, the international crude oil transportation market income level fell to a historical low. To this end, at the end of January 2019, the Company has released an announcement on the losing profits forecast and explanation for the reasons thereof according strictly to the requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

6. Appointment or Replacement of Certified Public Accountants

The Company's 2018 Annual General Meeting of Shareholders held on June 28, 2018 considered and approved the proposal on appointing the Company's 2018 domestic and overseas audit institutions and their remuneration, including:

ShineWing Certified Public Accountants LLP was hired as the Company domestic audit institution, and PricewaterhouseCoopers as the overseas audit institution for 2018.

The Company no longer hires Baker Tilly China Certified Public Accountants LLP (Special General Partnership) and Baker Tilly Hong Kong Limited as the domestic and overseas auditors respectively. Baker Tilly International and Baker Tilly Hong Kong have confirmed that there is neither disagreement or pending matters with the company nor matters relating to the replacement of domestic and foreign auditors that need to be brought to the attention of the shareholders of the Company.

ShineWing Certified Public Accountants LLP is qualified by national authorities for dealing with securities and futures-related business, which can meet the relevant requirements of the Company's domestic audit work; PricewaterhouseCoopers boasts the registration certificate issued by the Hong Kong Institute of Certified Public Accountants and the business registration certificate issued by the Hong Kong Inland Revenue Department. Subject to the provision 4.03 of Chapter 4 of the Main Board Listing Rules of Hong Kong Stock Exchange, certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors can meet the Company's requirements for H shares audit work.

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

6. Appointment or Replacement of Certified Public Accountants (Continued)

We agreed to hire ShineWing to serve as the Company's domestic audit institution and PricewaterhouseCoopers as the overseas audit institution in 2018. We believed that the Company's decision-making procedures were legally compliant and no damage would be caused to the Company or the interests of small and medium shareholders.

7. Cash Dividends and Other Returns for Investors

In 2017, the Company achieved a net profit attributable to owners of the Company RMB1.77billion. The Board recommended the distribution of a final dividend if RMB5 cents per share (tax inclusive) for the financial year of 2017 which had been approved at the 2018 AGM and the dividend has been paid to shareholders in August 2018.

8. Fulfillment of Undertakings by the Company and Shareholders

China Shipping Group Company Limited, the controlling shareholder of the Company, and China COSCO SHIPPING Group, the indirect controlling shareholder of the Company, successively made the commitments of competition avoidance and reduction of related party transactions, profit forecasting and compensation, capital security, independence, etc. to the Company.

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

9. Implementation of Information Disclosure

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

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

10. Implementation of Internal Controls

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

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

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

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

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

10. Implementation of Internal Controls (Continued)

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

In 2018, guided by the corporate strategy, combined business process analysis with risk management, the Company has promoted and continuously improved the rules and regulations in headquarters by two steps. First was to deepen reform. The preliminary stage of the regulatory framework and the construction plan have been completed with main points and revision points compiled in each provision; among them, 22 rules in key areas have been made with priority. The Company has modified and improved the rules and regulations management methods, strengthened the system classification, formulated guidelines, carried out system training and promoted models for implementing the system. Second phase consisted of comprehensive improvement. After completion of the reform, the top-level design of the headquarters would be further improved with new rules, duties and business processes added. Besides that, the Company also launched the construction of rules and regulations system for its affiliates, and further improved the Company's comprehensive risk management system.

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

11. Operation of the Board and its Professional Committees

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

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

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

We, the 4 independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2018, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

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

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2018, we maintained regular communication with management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2019, we will continue to comply with the laws and regulations and the provisions of the Articles in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive Directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

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

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

27 March 2019

REPORT OF THE SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2018, the Supervisory Committee held 8 meetings, details of which are set out below:

28-Mar-18

1. Report on the work of the Company's Supervisory Committee in 2017
2. 2017 Annual Report of the Company
3. 2017 audited financial report of the Company
4. 2017 profit distribution plan of the Company
5. 2017 social responsibility report of the Company
6. 2017 internal control evaluation report of the Company
7. 2018 risk management report of the Company
8. Proposal on changes in accounting policies
9. Proposal on the additional guarantee amount for the Company from the second half of 2018 to the first half of 2019

27-Apr-18

1. Proposal on changes in accounting estimates
2. First quarterly report of 2018

9-May-18

1. Election of the members of the ninth term of the supervisory committee of the Company (other than the employee representatives)
2. Proposal on the scheme of non-public A shares issuance (revised draft)

29-Jun-18

1. Proposal on the election of the new chairman of the Supervisory Committee

29-Aug-18

1. Proposal on changes in accounting policies
2. Interim report and results announcement for the six months ended 30 June 2018

30-Oct-2018

1. Third quarterly report of 2018
2. Share Option Incentive Scheme Administration Regulations of COSCO SHIPPING Energy Transportation Co., Ltd. (Revised Proposal) and its abstract
3. Regulations on Share Option Incentive Scheme Administration Regulations of COSCO SHIPPING Energy Transportation Co., Ltd. (Revised Proposal)
4. Extension of the validity period of the shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares
5. Extension of the validity period of the authorization granted to the Board and any person authorized by the Board to handle all matters in connection with the Proposed Non-public Issuance of A Shares

8-Nov-2018

1. Proposal on signing Continuous Related Party Transaction Agreements with China COSCO SHIPPING Group and applying for 2019-2021 annual cap

27-Dec-2018

1. Proposal on adjusting the List of Incentives for share option incentive plans and grant
2. Grant of share options under the revised A share option incentive scheme

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2018:

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

(2) During the Reporting Period, the Company's assets are optimized continuously and the Company achieved sustainable profit. The Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2018 annual consolidated financial statements represented a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows in 2018 and the 2018 annual consolidated financial statements were audited by ShineWing and PricewaterhouseCoopers.

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

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

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

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

Shanghai, the PRC
27 March 2019

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 234, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Carrying amount of vessels; and

- Freight revenue for vessel voyages in progress at year end.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying amount of vessels Refer to notes 2.9, 3.1 and 16 to the consolidated financial statements. As at 31 December 2018, the Group has vessels with total net carrying amount of approximately RMB47,255 million. For the purpose of the impairment assessment of the vessels, management determined the recoverable amounts of vessels based on value-in-use calculations, which are based on future discounted cash flows of cash-generating units for those vessels. Management is of the opinion that the vessels were not impaired as at 31 December 2018 based on the results of the current year's assessment, which involve significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("TCE") rates, cost inflation rates and discount rates applied to the future cash flows forecasts. We focused on this area because of the significance of carrying amount of vessels and the inherent complexity of management judgements involved in determining the recoverable amounts.	Our procedures in relation to management's impairment assessment of vessels included the following: • assessed whether the future discounted cash flow forecasts have been prepared according to the asset grouped at the lowest level (cash-generating units); • assessed the reasonableness of key input data and assumptions used in future cash flow forecasts by comparing them with historical actual information, management's approved budget and industry reports on the future macro and micro economic outlook; • assessed the discount rates used as compared with comparable companies in the industry and the evaluation by internal specialist; • checked the mathematical accuracy of the value-in-use calculations; and • performed sensitivity analysis on key assumptions. Based on the audit procedures performed, we found key judgements and assumptions used in the impairment assessments to be supportable based on the evidence we gathered.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Freight revenue for vessel voyages in progress at year end Refer to notes 2.21 and 5 to the consolidated financial statements. As at 31 December 2018, the Group recognised revenues of RMB12,100 million out of which RMB10,000 million was related to freight revenue which represents revenue, from oil shipment excluding vessel chartering. The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information. We focused on the recognition of freight revenue at year end due to the complex calculations involved in the estimation of freight revenue for vessel voyages in progress at year end.	Our procedures in relation to management's estimation of freight revenue for vessel voyages in progress at year end included: • evaluated and tested the key controls that management has established in respect of recording freight revenue, focusing on management's controls over the estimate of freight revenue for vessel voyages which were still in progress at year end; • tested the freight rates on a sample basis by comparing with supporting documents such as customer and vendor contracts; • checked the port loading and discharging information (i.e. time and date) on a sample basis against the supporting documents such as terminal records; and • recomputed the estimated freight revenue and calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records. Based on the audit procedures performed, we found the freight revenue for vessel voyages in progress at year end was supportable based on the evidence we gathered.

OTHER INFORMATION

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

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

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

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

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

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As 31 December 2018

	Note	2018	2017
		For the year ended 31 December	
			(Restated, Note 41)
		RMB'000	RMB'000
Revenues	5	**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	6	**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	7	**(1,287,714)**	(778,949)
Profit before tax	8	**413,063**	2,055,013
Income tax	9	**(119,657)**	(161,644)
Profit for the year		**293,406**	1,893,369
Other comprehensive income/(loss)	12		
Item that will not be reclassified subsequently to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income, 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	7	**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

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

As 31 December 2018

	Note	For the year ended 31 December	
		2018	2017 (Restated, Note 41)
		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
			(Restated)
		RMB cents	RMB cents
Earnings per share	14		
– Basic and diluted		**1.85**	44.01

The accompanying notes from pages 109 to 234 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2018

	Note	**31 December 2018**	31 December 2017 (Restated, Note 41)
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment properties	15	**21,286**	1,136,626
Property, plant and equipment	16	**49,330,845**	44,891,193
Prepaid land lease payments	17	**74,842**	77,221
Goodwill	18	**73,325**	58,168
Investments in associates	19	**2,363,511**	2,217,731
Investments in joint ventures	20	**2,844,733**	2,216,503
Loan receivables	21	**1,447,227**	2,092,689
Available-for-sale investments	22(b)	**–**	395,717
Financial assets at fair value through other comprehensive income	22(a)	**268,278**	–
Deferred tax assets	23	**47,568**	49,906
		56,471,615	53,135,754
CURRENT ASSETS			
Current portion of loan receivables	21	**13,137**	27,077
Inventories	24	**926,847**	656,220
Contract assets	25	**1,057,468**	–
Trade and bills receivables	25	**752,110**	954,378
Prepayments, deposits and other receivables	26	**722,721**	593,551
Tax recoverable		**3,587**	10,536
Pledged bank deposits	27	**858**	100
Cash and cash equivalents	27	**3,467,924**	5,011,256
		6,944,652	7,253,118

	Note	31 December 2018 RMB'000	31 December 2017 (Restated, Note 41) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	28	**1,454,436**	1,046,561
Contract liabilities		**59,528**	–
Other payables and accruals	29	**731,296**	798,647
Current portion of provision and other liabilities	30	**–**	54,621
Current portion of interest-bearing bank and other borrowings	32	**7,036,564**	6,878,518
Current portion of other loans	33	**67,493**	73,615
Current portion of bonds payable	34	**1,498,439**	–
Current portion of employee benefits payable	35	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As 31 December 2018

	Note	31 December 2018 RMB'000	31 December 2017 (Restated, Note 41) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	36	**4,032,033**	4,032,033
Reserves	37	**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	30	**15,320**	15,318
Derivative financial instruments	31	**352,382**	422,575
Interest-bearing bank and other borrowings	32	**18,786,375**	17,272,227
Other loans	33	**1,109,592**	1,068,853
Bonds payable	34	**2,491,252**	3,985,777
Employee benefits payable	35	**141,750**	130,300
Deferred tax liabilities	23	**365,822**	353,149
		23,262,493	23,248,199
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**52,534,691**	51,513,691

Huang Xiaowen
Director

Liu Hanbo
Director

The accompanying notes from pages 109 to 234 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	ATTRIBUTABLE TO OWNERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale-investments revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (as previously reported)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	54,033	93,158	(210,149)	(736)	302,755	12,416,118	27,413,089	174,960	27,588,049
Business combination involving entity under common control (Note 41)	-	-	-	-	5,000	-	-	-	-	-	-	(1,398)	3,602	-	3,602
At 1 January 2017 (restated)	4,032,033	7,749,939	273,418	76,341	(246,256)	2,877,435	54,033	93,158	(210,149)	(736)	302,755	12,414,720	27,416,691	174,960	27,591,651
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,774,648	1,774,648	118,721	1,893,369
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	5,670	5,670	-	5,670
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(466,511)	-	(466,511)	11,072	(455,439)
Fair value gain on available-for-sale-investments	-	-	-	-	-	-	-	-	-	44,396	-	-	44,396	42,655	87,051
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(6,773)	-	-	-	(6,773)	(9,827)	(16,600)
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	18,178	-	-	-	18,178	26,375	44,553
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(7,500)	2,395	-	-	(5,105)	(3,371)	(8,476)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	-	-	(91,988)	-	(91,988)	-	(91,988)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	3,905	46,791	(558,499)	1,780,318	1,272,515	185,625	1,458,140
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(766,086)	(766,086)	-	(766,086)
Accrual of safety fund reserve	-	-	-	-	-	-	87,515	-	-	-	-	(90,073)	(2,558)	2,558	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(79,084)	-	-	-	-	81,765	2,681	(2,681)	-
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	1,425	1,425
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,638)	(19,638)
At 31 December 2017 (restated)	4,032,033	7,749,939	273,418	76,341	(246,256)	2,877,435	62,464	93,158	(206,244)	46,055	(255,744)	13,420,644	27,923,243	342,249	28,265,492

	ATTRIBUTABLE TO OWNERS OF THE COMPANY															
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	Available-for-sale-investments revaluation reserve RMB'000	FVOCI reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (as previously reported)	4,032,033	7,749,939	273,418	76,341	(251,256)	2,877,435	62,464	93,158	(206,244)	46,055	-	(255,744)	13,422,041	27,919,640	342,249	28,261,889
Business combination involving entity under common control (Note 41)	-	-	-	-	5,000	-	-	-	-	-	-	-	(1,397)	3,603	-	3,603
Change in accounting policy (Note 2.3)	-	-	-	-	-	-	-	-	-	(46,055)	46,055	-	6,197	6,197	-	6,197
At 1 January 2018 (restated)	4,032,033	7,749,939	273,418	76,341	(246,256)	2,877,435	62,464	93,158	(206,244)	-	46,055	(255,744)	13,426,841	27,929,440	342,249	28,271,689
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	74,679	74,679	218,727	293,406
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	(15,617)	-	-	(15,617)	(15,005)	(30,622)
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	-	(11,630)	(11,630)	-	(11,630)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	344,945	-	344,945	(1,744)	343,201
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	13,843	-	-	-	-	13,843	20,086	33,929
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	22,905	-	-	-	-	22,905	33,234	56,139
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	348	-	(493)	-	-	(145)	(2,408)	(2,553)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	-	-	-	76,449	-	76,449	-	76,449
Total comprehensive income for the year	-	-	-	-	-	-	-	-	37,096	-	(16,110)	421,394	63,049	505,429	252,890	758,319
Non-controlling interests on acquisition of subsidiaries (Note 40)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	553,063	553,063
Accrual of safety fund reserve	-	-	-	-	-	-	91,958	-	-	-	-	-	(98,329)	(6,371)	6,371	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(124,288)	-	-	-	-	-	128,783	4,495	(4,495)	-
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117,600	117,600
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(187,100)	(187,100)
Dividends paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	-	-	(201,602)	(201,602)	-	(201,602)
Others	-	-	-	-	(39,771)	-	-	-	-	-	-	-	-	(39,771)	-	(39,771)
At 31 December 2018	4,032,033	7,749,939	273,418	76,341	(286,027)	2,877,435	30,134	93,158	(169,148)	-	29,945	165,650	13,318,742	28,191,620	1,080,578	29,272,198

The accompanying notes from pages 109 to 234 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	For the year ended 31 December 2018 RMB'000	2017 (Restated) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	39	**2,156,032**	3,448,724
INVESTING ACTIVITIES			
Interest received		**82,025**	78,710
Payments for construction in progress		**(3,414,413)**	(6,062,909)
Purchases of property, plant and equipment		**(31,908)**	(93,628)
Proceeds from disposal of property, plant and equipment		**1,077**	293
Loans to joint ventures		**(256,417)**	(779,592)
Repayment from associates		**54,433**	49,984
Repayment from joint ventures		**968,585**	–
Dividends received from associates		**189,619**	187,906
Dividends received from joint ventures		**30,100**	38,977
Dividends received from available-for-sale investments		**–**	8,824
Dividends received from financial assets at fair value through other comprehensive income		**8,701**	–
Acquisition of subsidiaries, net of cash acquired	40	**625,229**	–
Compensation to a fellow subsidiary for the decrease in equity under the transition year in respect of disposal of discontinued operation		**–**	(339,143)
Investments in associates		**–**	(150,000)
Investments in joint ventures		**(604,533)**	(60,011)
(Decrease)/increase in pledged bank deposits		**(758)**	24,034
NET CASH USED IN INVESTING ACTIVITIES		**(2,348,260)**	(7,096,555)

	Note	For the year ended 31 December	
		2018	2017
			(Restated)
		RMB'000	RMB'000
FINANCING ACTIVITIES			
Interest paid		**(1,310,890)**	(904,224)
Subsidy received from government		**–**	195,000
Dividends paid		**(201,602)**	(766,086)
Dividends paid to non-controlling interests of subsidiaries		**(537,747)**	(19,638)
Increase in other loans		**63,697**	111,340
Repayment of other loans		**(109,388)**	(6,212)
Increase in interest-bearing bank and other borrowings		**5,807,830**	8,761,102
Repayment of interest-bearing bank and other borrowings		**(5,237,852)**	(5,021,311)
Contribution from non-controlling interests of a subsidiary		**117,600**	1,425
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(1,408,352)**	2,351,396
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,600,580)**	(1,296,435)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**5,011,256**	6,392,933
Effect of foreign exchange rate changes, net		**57,248**	(85,242)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,467,924**	5,011,256

The accompanying notes from pages 109 to 234 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is Room A-1015, No.188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, the PRC and the principal place of business is 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.

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

(a) investment holding; and/or

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

(c) vessel chartering; and/or

(d) liquefied natural gas shipping and liquefied petroleum gas shipping.

The directors of the Company (the "Directors") regard China COSCO SHIPPING Corporation Limited ("COSCO Shipping"), as being the Company's parent company. The Directors regard China Shipping Group Company Limited ("China Shipping"), 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 and the Shanghai Stock Exchange respectively.

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 impact of the acquisition is set out in note 40 to the consolidated financial statements.

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 COSCO Shipping, a state-owned enterprise established in the PRC both before and after the above mentioned acquisition.

1. CORPORATE INFORMATION (Continued)

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 have been incorporated into these consolidated financial statements. As a result, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of 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. The impact of the restatements is set out in note 41 to the consolidated financial statements.

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

These consolidated financial statements have been approved for issue by the board of Directors (the "Board") on 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 Cap. 662.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation

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

– investment properties (see note 2.8);

– certain 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") (see note 2.12); and

– derivative financial instruments (see note 2.19).

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

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

2.3 Changes in accounting policies

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

(a) Impact on the financial statements

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(a) *Impact on the financial statements* (Continued)

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

Condensed consolidated balance sheet (extract)	**31 December 2017** Restated RMB'000	**HKFRS9** RMB'000	**HKFRS15** RMB'000	**1 January 2018** Restated RMB'000
ASSETS				
Non-current assets				
Available-for-sale investments	395,717	(395,717)	–	–
Financial assets at FVOCI	–	309,030	–	309,030
Financial assets at 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption

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

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

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:

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

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

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

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

Equity investments and other financial assets

Classification and Measurement

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

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

- Those to be measured at amortised cost.

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

For assets measured at fair value, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

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

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

Impairment of financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

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

Since revenue from oil shipment is recognised and categorised on a period-related basis, the first-time application of HKFRS 15 has not had any significant effects in relation to this revenue stream. The method 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 advance from customers with contracts.

2.4 Basis of consolidation

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

– has power over the investee;

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations

(a) Business combination involving entities under common control

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations (Continued)

(b) Business combination not involving entities under common control

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations (Continued)

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement year adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9, or HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill

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

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

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

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

2.7 Investments in associates and joint ventures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investments in associates and joint ventures (Continued)

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

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

The requirements of HKFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

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

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

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

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

Upon the transfer of an item from investment properties to property, plant and equipment because its use has changed due to owner-occupation, the fair value of the item as at the date of transfer is recognised as cost and subsequently depreciated over its estimated remaining useful life.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment and depreciation

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

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

Leasehold improvements	Over the remaining terms of lease
Vessels	22-30 years (note)
Machinery and equipment	3-15 years
Motor vehicles	8 years
Buildings	8-40 years

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment and depreciation (Continued)

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

2.10 Leasehold land and land use rights

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2.12 Financial assets

(i) Classification

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

Debt instruments

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

Equity instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(iv) Accounting policies applied until 31 December 2017

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

Classification

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

- financial assets at FVPL,
- loans and receivables, and
- available-for-sale financial assets.

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

Reclassification

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

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

Subsequent measurement

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

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

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

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

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

Assets carried at amortised cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

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

Assets classified as available-for-sale

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

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

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

2.13 Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derecognition of financial assets

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

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

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

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

2.15 Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Cash and cash equivalents

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

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

2.17 Financial liabilities at amortised cost

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

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

Effective interest method

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Derecognition of financial liabilities

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

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

2.19 Derivative financial instruments and hedging

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

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

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

Embedded derivatives

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Derivative financial instruments and hedging (Continued)

Embedded derivatives (Continued)

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

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

Cash flow hedges

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial guarantee contracts

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

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

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

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

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

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

2.21 Revenue recognition

(a) Revenue from contracts with customers

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

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

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

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

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

Contract liabilities are recognised for advance from customers with contracts.

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

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

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

(i) Revenue from oil shipment

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(a) *Revenue from contracts with customers* (Continued)

(ii) Revenue from vessel chartering

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

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

(b) *Other Revenue*

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

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

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

2.22 Borrowing costs

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases

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

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

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

2.24 Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Income tax (Continued)

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Income tax (Continued)

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

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

2.25 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Translation for foreign operations

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividends

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

2.27 Government subsidies

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

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

2.28 Contingent liabilities and contingent assets

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

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

2.29 Trade and bills payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and bills payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Provisions

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

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

Provision for onerous contracts

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

2.31 Employee benefits

(a) Employee leave entitlements

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

(b) Bonus entitlements

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Employee benefits (Continued)

(c) Housing funds

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

(d) Retirement benefit costs

(i) Defined contribution retirement benefit plans

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

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

(ii) Defined benefit retirement benefit plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Employee benefits (Continued)

(d) Retirement benefit costs (Continued)

(ii) Defined benefit retirement benefit plans (Continued)

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

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

(e) Enterprise annuity

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Employee benefits (Continued)

(f) Termination benefits

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

(g) Housing subsidies

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

(h) Share-based compensation

The Company operates an equity-settled, share-based compensation plan and provides equity compensation benefit, in the form of share options, to the directors and employees of the Company and the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Segment reporting

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

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

2.33 Events after the reporting period

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Impairment of vessels

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

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

Based on management's best estimates, no impairment losses for vessels was recognised during the year (for the year ended 31 December 2017: RMBnil).

3.2 Freight revenue for vessel voyages in progress at year end

The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information.

3.3 Estimated useful lives and residual values of vessels

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

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

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2018 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased by RMB195,875,000 (for the year ended 31 December 2017: RMB79,511,000) or increased by RMB239,402,000 (for the year ended 31 December 2017: RMB97,181,000) for the year ended 31 December 2018.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2018 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by RMB24,880,000 (for the year ended 31 December 2017: RMB13,237,000) for the year ended 31 December 2018.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.4 Income taxes, value-added taxes and withholding taxes

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

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

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2018 would have been increased by the same amount of RMB637,141,000 (31 December 2017: RMB708,081,000).

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

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

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

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

As at 31 December 2018, allowance for trade and other receivables, contract assets and loan receivables amounted to RMB59,512,000 (31 December 2017: RMB36,233,000).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.6 Provision for onerous contracts

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

As at 31 December 2018, with the basis of estimation on the economic benefits expected to be received by the Group in respect of the non-cancellable chartered-in vessels contracts made by the management, no provision (31 December 2017: RMB54,621,000) for onerous contracts was made (see note 30).

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

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

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

New standards and amendments

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

Annual Improvements 2014-2016

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

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

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

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

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Annual Improvements 2015-2017		
HKAS 12 Amendment	Income Taxes	1 January 2019
HKAS 23 Amendment	Borrowing Costs	1 January 2019
HKFRS 3 Amendment	Business Combination	1 January 2019
HKFRS 11 Amendment	Joint Arrangements	1 January 2019

The Group will apply the above new standards, interpretations, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group, certain of which will give rise to change in presentation, disclosure and measurements of certain items in the financial statements as explained below:

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

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

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 as disclosed in note 44(b) 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.

5. REVENUE AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment

– oil shipment

– vessel chartering

(ii) others

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments

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

	For the year ended 31 December			
	2018		2017	
	Revenues	Contribution	Revenues (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

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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	31 December 2018	31 December 2017 (Restated)
	RMB'000	RMB'000
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 policies described in note 2 to the consolidated financial statements. Segment contribution represents the gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior management), marketing expenses, other expenses, share of profits of associates, share of profits of joint ventures, other income and net gains and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

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

As at 31 December 2018, the total net carrying amount of the Group's oil tankers, LNG vessels and LPG vessels were RMB37,816,410,000 (31 December 2017: 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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the year ended 31 December			
	2018		2017	
	Revenues	**Contribution**	Revenues (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 years ended 31 December 2018 and 2017, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

	Oil shipment RMB'000	Others RMB'000	Total RMB'000
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 years ended 31 December 2018 and 2017.

Major customers

During the reporting period, management recognised the following 2 (for the year ended 31 December 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:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A	**2,417,033**	2,167,284
Customer B	**2,021,214**	1,437,019

6. OTHER INCOME AND NET GAINS

	For the year ended 31 December	
	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 financial assets at FVPL	**8,701**	–
Rental income from investment properties	**14,300**	19,971
Others	**32,421**	117,067
	229,369	769,731
Other (losses)/gains		
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 mainly represent the subsidies granted for business development purpose and refund of tax. There were no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	For the year ended 31 December	
	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% (for the year ended 31 December 2017: 2% to 4.78%) per annum.

8. PROFIT BEFORE TAX

	For the year ended 31 December	
	2018	2017
		(Restated)
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**4,092,838**	2,838,957
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**6,211,236**	4,412,270
	10,304,074	7,251,227
Staff costs (including emoluments of directors, supervisors and management (note 10)):		
Wages, salaries, crew expenses and related expenses	**2,086,548**	1,787,670
Costs for defined benefit plan (note 35)	**12,560**	8,200
Pension scheme contributions	**54,098**	77,765
Total staff costs	**2,153,206**	1,873,635
Operating lease rentals: minimum lease payments	**1,608,602**	607,941
Auditor's remuneration	**7,761**	4,634
Depreciation of property, plant and equipment	**2,180,734**	1,907,685
Amortisation of prepaid land lease payments	**2,379**	2,378
Dry-docking and repairs	**305,787**	245,921
Provision for onerous contracts	**–**	159,603
Provision for/(reversal of) impairment losses on trade receivables and contract assets	**19,293**	(7,483)
Provision for/(reversal of) impairment losses on other receivables	**2,508**	(3,459)

9. INCOME TAX

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

	Note	For the year ended 31 December 2018 RMB'000	2017 (Restated) 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% (for the year ended 31 December 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% (for the year ended 31 December 2017: 16.5%) on the estimated assessable profits for the year from the entities within the Group operating in Hong Kong.

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

9. INCOME TAX (Continued)

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

	For the year ended 31 December	
	2018	2017
		(Restated)
	RMB'000	RMB'000
Profit before tax	**413,063**	2,055,013
Calculated at a tax rate of 25% (for the year ended 31 December 2017: 25%)	**103,266**	513,753
(Over)/under provision in respect of prior years, net	**(193)**	27,744
Tax effect of share of profits of associates	**(66,239)**	(63,751)
Tax effect of share of profits of joint ventures	**(57,976)**	(37,787)
Tax effect of income not subject to tax	**(10,749)**	(84,819)
Tax effect of expenses not deductible for tax	**10,623**	8,373
Tax effect of unused tax losses not recognised	**144,580**	27,753
Tax effect of temporary differences not recognised	**(14,914)**	(108,411)
Tax effect of utilisation of tax losses previously not recognised	**–**	(80,460)
Different tax rates of subsidiaries operating in other jurisdictions	**11,259**	(40,751)
Income tax expense	**119,657**	161,644

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Independent non-executive directors (note 10(a))		
– fees	**1,063**	1,200
Executive and non-executive directors (excluded independent non-executive directors) (note 10(b))		
– salaries, allowances and benefits in kind	**1,189**	1,082
– discretionary bonus	**3,394**	3,441
– pension scheme contributions	**110**	101
	4,693	4,624
Supervisors (note 10(b))		
– salaries, allowances and benefits in kind	**1,055**	1,108
– discretionary bonus	**1,158**	1,492
– pension scheme contributions	**100**	92
	2,313	2,692
Senior management		
– salaries, allowances and benefits in kind	**3,065**	3,784
– discretionary bonus	**7,376**	8,984
– pension scheme contributions	**325**	378
	10,766	13,146
Total	**18,835**	21,662

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

Certain senior management are also executive directors and supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive directors and supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

For the year ended 31 December 2018, no share option was exercised.

Details and movements of share options granted during the year are set out in note 36 to the consolidated financial statements.

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

		For the year ended 31 December	
	Note	**2018**	2017
		RMB'000	RMB'000
Mr. Wang Wusheng	(i)	**13**	150
Mr. Ruan Yongping		**150**	150
Mr. Ip Sing Chi		**300**	300
Mr. Rui Meng		**300**	300
Mr. Teo Siong Seng		**300**	300
		1,063	1,200

Note:

(i) Retired on 16 January 2018

There were no other emoluments payable to the independent non-executive directors during the year (for the year ended 31 December 2017: RMBnil).

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

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

	Note	Fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2018						
Executive directors						
Mr. Huang Xiaowen		–	–	–	–	–
Mr. Liu Hanbo		–	613	1,732	55	2,400
Mr. Lu Junshan		–	576	1,662	55	2,293
		–	1,189	3,394	110	4,693
Non-executive directors						
Mr. Feng Boming		–	–	–	–	–
Mr. Zhang Wei		–	–	–	–	–
Ms. Lin Honghua		–	–	–	–	–
		–	–	–	–	–
Supervisors						
Mr. Yang Lei	(i)	–	–	–	–	–
Mr. Chen Jihong	(ii)	–	–	–	–	–
Mr. Xu Yifei		–	606	633	50	1,289
Ms. An Zhijuan		–	449	525	50	1,024
Mr. Weng Yi		–	–	–	–	–
		–	1,055	1,158	100	2,313

Note:

(i) Appointed on 28 June 2018

(ii) Retired on 28 June 2018

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

	Note	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
For the year ended 31 December 2017						
Executive directors						
Mr. Huang Xiaowen	(i)	–	–	–	–	–
Mr. Sun Jiakang	(ii)	–	–	–	–	–
Mr. Liu Hanbo		–	549	1,720	51	2,320
Mr. Lu Junshan		–	533	1,720	51	2,304
		–	1,082	3,440	102	4,624
Non-executive directors						
Mr. Feng Boming		–	–	–	–	–
Mr. Zhang Wei		–	–	–	–	–
Ms. Lin Honghua		–	–	–	–	–
		–	–	–	–	–
Supervisors						
Mr. Chen Jihong		–	–	–	–	–
Mr. Xu Yifei		–	648	651	46	1,345
Ms. An Zhijuan		–	460	841	46	1,347
Mr. Weng Yi		–	–	–	–	–
		–	1,108	1,492	92	2,692

Note:

(i) Appointed on 10 October 2017

(ii) Resigned on 10 October 2017

There were no (for the year ended 31 December 2017: no) arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (for the year ended 31 December 2017: two) directors and none (for the year ended 31 December 2017: none) supervisor, details of whose emoluments are set out in note 10 to the consolidated financial statements. Details of the emoluments of the remaining three (for the year ended 31 December 2017: three) highest paid non-director and non-supervisor individuals for the year were as follows:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,490**	1,392
Discretionary bonus	**3,993**	3,939
Pension scheme contributions	**166**	147
	5,649	5,478

The emoluments of the three (for the year ended 31 December 2017: three) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals	
	For the year ended 31 December	
	2018	2017
RMB1,691,200 to RMB2,114,000 (2017: RMB1,734,545 to RMB2,168,180) (equivalent to HKD2,000,000 to HKD2,500,000)	**3**	3
RMB2,114,001 to RMB2,536,800 (2017: RMB2,168,181 to RMB2,601,816) (equivalent to HKD2,500,001 to HKD3,000,000)	**–**	–

During the year, no remuneration were paid by the Group to any of the directors, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (for the year ended 31 December 2017: RMBnil).

12. OTHER COMPREHENSIVE INCOME/(LOSS)

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

	Before-tax amount RMB'000	Tax effect RMB'000	Net-of-tax amount RMB'000
For the year ended 31 December 2018			
Changes in the fair value of equity investments at FVOCI	**(40,829)**	**10,207**	**(30,622)**
Currency translation differences	**343,201**	**–**	**343,201**
Remeasurement of defined benefit plan payable	**(11,630)**	**–**	**(11,630)**
Net gain on cash flow hedges	**33,929**	**–**	**33,929**
Hedging gain reclassified to profit or loss	**56,139**	**–**	**56,139**
Share of other comprehensive loss of associates	**(2,553)**	**–**	**(2,553)**
Share of other comprehensive income of joint ventures	**76,449**	**–**	**76,449**
	454,706	**10,207**	**464,913**
For the year ended 31 December 2017 (restated)			
Remeasurement of defined benefit plan payable	5,670	–	5,670
Currency translation differences	(455,439)	–	(455,439)
Fair value gain/(loss) on available-for-sale investments	116,068	(29,017)	87,051
Net loss on cash flow hedges	(16,600)	–	(16,600)
Hedging gain reclassified to profit or loss	44,553	–	44,553
Share of other comprehensive loss of associates	(8,476)	–	(8,476)
Share of other comprehensive loss of joint ventures	(91,988)	–	(91,988)
	(406,212)	(29,017)	(435,229)

13. DIVIDENDS

	For the year ended 31 December	
	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.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB74,679,000 (for the year ended 31 December 2017 (restated): Profit of RMB1,774,648,000) and the weighted average number of ordinary shares of 4,032,033,000 (for the year ended 31 December 2017: 4,032,033,000) shares in issue during the year.

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2018, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2018.

15. INVESTMENT PROPERTIES

As at 31 December 2018 and 31 December 2017, the Group's properties are leased to other parties under operating leases to earn rental income and are measured using the fair value model. As a result, these properties are classified and accounted for as investment properties. Movements of the investment properties during the year are set out below:

	31 December 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the year	**1,136,626**	1,104,907
Transfer to property, plant and equipment	**(1,115,972)**	(1,500)
Net gain on revaluation recognised in profit or loss	**632**	33,219
At the end of the year	**21,286**	1,136,626

During the year, the Group reclassified a commercial building from investment properties to property, plant and equipment at the commencement of self-usage. The fair value of the investment properties as at 31 December 2018 and 31 December 2017 have been arrived at on the basis of a valuation carried out by China Tong Cheng and China Tong Cheng, 遼寧恒信. The fair value of these investment properties was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of these investment properties, the highest and best use of these investment properties is their current use. There has been no change from the valuation technique used in prior years.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2018							
Cost							
At 1 January 2018 (restated)	15,730	52,411,200	113,566	31,974	666,662	3,991,849	57,230,981
Additions	6,328	41,909	11,253	3,151	9,048	3,489,087	3,560,776
Transfer in/(out)	–	7,147,912	772	–	–	(7,148,684)	–
Transfer from investment properties	–	–	–	–	1,115,972	–	1,115,972
Acquisition of subsidiaries (Note 40)	11,421	574,179	1,286	400	–	–	587,286
Disposals	–	–	(26,947)	(2,637)	–	–	(29,584)
Currency translation differences	134	1,558,178	226	30	–	53,410	1,611,978
At 31 December 2018	33,613	61,733,378	100,156	32,918	1,791,682	385,662	64,077,409
Accumulated depreciation							
At 1 January 2018 (restated)	14,655	12,094,580	100,689	22,353	107,511	–	12,339,788
Charge for the year	969	2,129,702	5,932	2,495	41,636	–	2,180,734
Disposals	–	–	(26,366)	(2,068)	–	–	(28,434)
Currency translation differences	117	253,851	166	342	–	–	254,476
At 31 December 2018	15,741	14,478,133	80,421	23,122	149,147	–	14,746,564
Net carrying amount							
At 31 December 2018	17,872	47,255,245	19,735	9,796	1,642,535	385,662	49,330,845
At 31 December 2017 (restated)	1,075	40,316,620	12,877	9,621	559,151	3,991,849	44,891,193

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvement RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2017							
Cost							
At 1 January 2017 (restated)	15,901	43,245,906	111,730	32,145	664,767	8,917,825	52,988,274
Additions	–	88,758	2,903	1,302	665	5,980,608	6,074,236
Transfer in/(out)	–	10,555,410	–	–	–	(10,555,410)	–
Transfer from investment properties	–	–	–	–	1,500	–	1,500
Disposals	–	–	(907)	(1,377)	(270)	–	(2,554)
Currency translation differences	(171)	(1,478,874)	(160)	(96)	–	(351,174)	(1,830,475)
At 31 December 2017 (restated)	15,730	52,411,200	113,566	31,974	666,662	3,991,849	57,230,981
Accumulated depreciation							
At 1 January 2017 (restated)	14,183	10,515,787	91,743	21,263	84,037	–	10,727,013
Charge for the year	583	1,871,003	9,927	2,452	23,720	–	1,907,685
Disposals	–	–	(829)	(1,328)	(246)	–	(2,403)
Currency translation differences	(111)	(292,210)	(152)	(34)	–	–	(292,507)
At 31 December 2017 (restated)	14,655	12,094,580	100,689	22,353	107,511	–	12,339,788
Net carrying amount							
At 31 December 2017 (restated)	1,075	40,316,620	12,877	9,621	559,151	3,991,849	44,891,193
At 31 December 2016 (restated)	1,718	32,730,119	19,987	10,882	580,730	8,917,825	42,261,261

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2018, the Group's certain vessels are leased to other parties under operating leases. Further details of the vessels under operating lease arrangements are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cost	**18,361,943**	13,464,102
Accumulated depreciation	**(1,724,004)**	(1,391,937)
Net carrying amount	**16,637,939**	12,072,165

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

As at 31 December 2018, the Group's certain vessels were pledged to secure general banking facilities granted to the Group (see note 32).

During the year, interest expense of RMB39,781,000 (for the year ended 31 December 2017: RMB158,021,000) were capitalised in vessel costs during the vessel construction year.

17. PREPAID LAND LEASE PAYMENTS

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the year	**77,221**	79,599
Amortisation for the year	**(2,379)**	(2,378)
At the end of the year	**74,842**	77,221

18. GOODWILL

	RMB'000
Cost	
At 1 January 2018	**58,168**
Arising upon acquisition of a subsidiary (Note 40)	**15,157**
At 31 December 2018	**73,325**
Accumulated impairment losses	
At 1 January 2017, 31 December 2017, 1 January and 31 December 2018	**–**
Carrying amount	
At 31 December 2018	**73,325**
At 31 December 2017	58,168

There were two cash generating units ("CGU") in the year related to oil transportation and vessel chartering services. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on a value in use calculation separately prepared for goodwill impairment assessment relating to Shenzhen Sanding Oil-Shipping Co., Ltd. of RMB58,168,000 (31 December 2017: 58,168,000) and COSCO PetroChina SHIPPING of RMB15,157,000 (31 December 2017: RMBnil). That calculation uses cash flow projections based on the most recent financial budgets of 4 years approved by management, cash flows beyond the 4-year-on-year are extrapolated using nil growth rate, and a discount rate of 9.99% (31 December 2017: 10.45%). The growth rate for the extrapolation year is based on management's best estimates with consideration of both internal and external factors relating to the CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these subsidiaries to exceed their recoverable amount.

19. INVESTMENTS IN ASSOCIATES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,528,406**	1,382,626
Goodwill	**835,105**	835,105
	2,363,511	2,217,731

19. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2018, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/legal status	Issued/registered capital	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activities
			2018	2017	**2018**	2017	
Shanghai Beihai Shipping Company Limited ("Shanghai Beihai")	The PRC/Limited liability company	RMB763,750,000	**40%**	40%	**40%**	40%	Petroleum product transportation and vessel chartering
China Shipping Finance Co., Ltd. ("CS Finance") (Note (i))	The PRC/Limited liability company	RMB2,800,000,000 (2017: RMB1,200,000,000)	**11%**	25%	**11%**	25%	Banking and related financial services
Aquarius LNG Shipping Limited ("Aquarius LNG")	Hong Kong/Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering
Aries LNG Shipping Limited ("Aries LNG")	Hong Kong/Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Capricorn LNG Shipping Limited ("Capricorn LNG")	Hong Kong/Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Gemini LNG Shipping Limited ("Gemini LNG")	Hong Kong/Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering

Note: (i) On 13 November 2017, the Board approved the merger by absorption under which CS Finance absorbs and merges with COSCO Finance Co., Ltd ("COSCO Finance"). Upon completion, CS Finance will continue as the surviving company and will be renamed as COSCO Shipping Finance; and COSCO Finance will cease to exist as a legal entity. CS Finance has been accounted as an associate by virtue of the Group's representation on the board of directors of CS Finance and its ability to have significant influence.

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

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information of an associate that is material to the Group and reconciliation to the carrying amount of the Group's interest in the associate is disclosed as follows:

	Shanghai Beihai	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current assets	**1,688,662**	1,861,961
Current assets	**895,197**	739,973
Non-current liabilities	**(42)**	(83,273)
Current liabilities	**(183,000)**	(169,806)
Net assets	**2,400,817**	2,348,855
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**960,327**	939,542
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,795,432**	1,774,647

	2018 RMB'000	2017 RMB'000
For the year ended 31 December		
Revenues	**1,305,378**	1,254,554
Profit for the year	**451,619**	454,431
Other comprehensive loss	**(753)**	(1,188)
Total comprehensive income for the year	**450,866**	453,243
Dividends received from the associate	**160,000**	180,000

19. INVESTMENTS IN ASSOCIATES (Continued)

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

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**568,079**	443,084
Year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	**54,558**	85,130
Other comprehensive loss	**(802)**	(8,001)
Total comprehensive income for the year	**53,756**	77,129

20. INVESTMENTS IN JOINT VENTURES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**2,367,628**	1,739,398
Goodwill	**477,105**	477,105
	2,844,733	2,216,503

20. INVESTMENTS IN JOINT VENTURES (Continued)

As at 31 December 2018, the Group had investments in the following joint ventures which are all unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operations/legal status	Issued/registered capital	Indirect proportion of ownership interest, voting power and profit sharing attributable to the Group		Principal activities
			2018	2017	
China LNG Shipping (Holdings) Limited ("CLNG")	Hong Kong/Limited liability company	USD425,241,903 (2017: USD421,384,828)	**50%**	50%	Investment holding
Arctic Blue LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Green LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Purple LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Red LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding
Arctic Orange LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding
Arctic Yellow LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding
Arctic Indigo LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding
Sino-Ocean Shipping Co., Ltd. ("Sino-Ocean Shipping") (Note (i))	The PRC/Limited liability company	RMB238,772,000	**–**	50%	Oil transportation and vessel chartering
Offshore Oil (Yangpu) Shipping Co., Ltd. ("Yangpu Shipping") (Note (ii))	The PRC/Limited liability company	RMB20,000,000	**–**	43%	Oil transportation and vessel chartering

20. INVESTMENTS IN JOINT VENTURES (Continued)

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

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

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

Summarised financial information of a joint venture that is material to the Group and reconciliation to the carrying amount of the Group's interest in the joint venture is disclosed as follows:

	CLNG	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current assets	**7,770,667**	7,307,837
Current assets	**760,104**	753,732
Cash and cash equivalents	**733,194**	419,599
Other current assets	**26,910**	334,133
Non-current liabilities	**(3,933,745)**	(3,745,173)
Current liabilities	**(217,735)**	(504,318)
Net assets	**4,379,291**	3,812,078
Non-controlling interests	**(894,054)**	(835,318)
	3,485,237	2,976,760
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets	**1,742,619**	1,488,380
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint ventures	**2,219,724**	1,965,485

20. INVESTMENTS IN JOINT VENTURES (Continued)

For the year ended 31 December	2018 RMB'000	2017 RMB'000
Revenues	1,147,321	1,073,256
Profit for the year	524,795	382,853
Other comprehensive (loss)/income	(461)	14,534
Total comprehensive income for the year	524,334	397,387
Dividends received from the joint ventures	104,381	100,360

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

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	625,009	251,018
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	62,997	42,051
Other comprehensive loss	–	(26)
Total comprehensive income for the year	62,997	42,025

21. LOAN RECEIVABLES

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Loans to associates	(i)	**399,088**	408,733
Loans to joint ventures	(ii)	**1,061,276**	1,711,033
		1,460,364	2,119,766
Less: current portion		**(13,137)**	(27,077)
Non-current portion		**1,447,227**	2,092,689

Note:

(i) As at 31 December 2018, loans to associates are unsecured, interest-bearing at approximately 3.60% to 4.51% over 3-month London Inter-bank Offered Rate ("LIBOR") (31 December 2017: approximately 4.41% to 5.40% over 3-month LIBOR) per annum and repayable in 2030 and 2031.

(ii) As at 31 December 2018 and 31 December 2017, loans to joint ventures are unsecured, interest-bearing at 3-month LIBOR plus 0.80% per annum prior to delivery of vessels and at 3-month LIBOR plus 1.30% per annum after delivery of vessels and repayable within 20 years after the joint ventures' vessels construction projects are completed.

As at 31 December 2018 and 31 December 2017, all loan receivables are denominated in USD.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Equity investments at fair value through other comprehensive income

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Listed equity investments in the PRC	**262,782**	–
Unlisted equity investments	**5,496**	–
	268,278	–

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

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

(b) Financial assets previously classified as available-for-sale financial assets (2017)

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

The fair values of the listed equity investments are based on current bid prices. All the unlisted equity investments are stated at cost as the Directors are of the opinion that the unlisted equity investments do not have a quoted market price in an active market and their fair values cannot be measured reliably.

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

(c) Amounts recognised in profit or loss and other comprehensive income

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

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Loss)/gain recognised in other comprehensive income; 2017 relating to available-for-sale financial assets, (see 22(b)) Listed equity investments, at fair value	**(30,622)**	87,051

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017	52,258	–	52,258
Charge to profit or loss	(2,352)	–	(2,352)
At 31 December 2017 and 1 January 2018	**49,906**	**–**	**49,906**
Charge to profit or loss	**(2,352)**	**14**	**(2,338)**
At 31 December 2018	**47,554**	**14**	**47,568**

23. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

(b) Components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties	Fair value change on available-for-sale investments	Fair value change on financial assets at FVOCI	Unremitted earnings	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	170,569	39,564	–	11,656	69,244	4,884	295,917
Charge/(credit) to profit or loss	11,517	–	–	21,436	(4,586)	(152)	28,215
Charge to other comprehensive income	–	29,017	–	–	–	–	29,017
At 31 December 2017	182,086	68,581	–	33,092	64,658	4,732	353,149
Change in accounting policy (Note 2.3)	–	(68,581)	68,581	–	–	–	–
At 1 January 2018	**182,086**	**–**	**68,581**	**33,092**	**64,658**	**4,732**	**353,149**
Arising from acquisition of a subsidiary	**–**	**–**	**–**	**–**	**8,647**	**–**	**8,647**
Charge/(credit) to profit or loss	**(2,124)**	**–**	**–**	**21,094**	**(4,589)**	**(148)**	**14,233**
Credit to other comprehensive income	**–**	**–**	**(10,207)**	**–**	**–**	**–**	**(10,207)**
At 31 December 2018	**179,962**	**–**	**58,374**	**54,186**	**68,716**	**4,584**	**365,822**

23. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets	**47,568**	49,906
Deferred tax liabilities	**(365,822)**	(353,149)
	(318,254)	(303,243)

As at 31 December 2018, deferred tax asset in respect of tax losses of RMB3,379,905,000 (31 December 2017: RMB3,503,435,000) has not been recognised in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised. Included in unrecognised tax losses are losses of RMB3,379,905,000 (31 December 2017: RMB3,442,387,000) that will expire within five years. Other losses may be carried forward indefinitely.

As at 31 December 2018, the unrecognised deferred income tax liabilities were RMB637,141,000 (31 December 2017: RMB708,081,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2018 amounted to RMB2,548,565,000 (31 December 2017: RMB2,832,324,000).

24. INVENTORIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bunker oil inventories	**680,643**	426,814
Ship stores and spare parts	**246,204**	229,406
	926,847	656,220

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	31 December 2018 RMB'000	31 December 2017 (Restated) 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 (note 25(b))	**(30,162)**	(14,730)
	752,110	954,378
Current contract assets relating to oil shipment contracts	**1,062,112**	–
Less: allowance (note 25(b))	**(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 and contract assets of RMB1,148,022,000 (31 December 2017: RMB513,039,000) are denominated in USD.

(a) As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	31 December 2018 RMB'000	31 December 2017 (Restated) 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

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

(b) Impairment of trade receivables and contract assets

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for both trade receivables and contract assets:

31 December 2018	**Within 6 months RMB'000**	**7 – 12 months RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Expected loss rate	**0.33%**	**4.06%**	**19.27%**	**1.89%**
Gross carrying amount – trade receivables	**540,951**	**111,453**	**129,868**	**782,272**
Gross carrying amount – contract assets	**1,062,112**	**–**	**–**	**1,062,112**
Less: allowance	**5,263**	**4,521**	**25,022**	**34,806**

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

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

1 January 2018	Within 6 months RMB'000	7 – 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Expected loss rate	0.84%	2.79%	11.87%	1.52%
Gross carrying amount – trade receivables	382,051	73,158	46,594	501,803
Gross carrying amount – contract assets	467,305	–	–	467,305
Less: allowance	7,157	2,040	5,533	14,730

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables and Contract assets	
	31 December 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the year	**14,730**	22,499
Impairment losses recognised/(reversed)	**19,293**	(7,483)
Exchange realignment	**783**	(286)
At the end of the year	**34,806**	14,730

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 (Restated) RMB'000
Prepayments	**95,604**	106,810
Deposits and other receivables	**261,753**	248,807
Due from fellow subsidiaries	**260,201**	142,115
Due from associates	**14,633**	13,204
Due from joint ventures	**82,291**	82,945
Due from related companies (note)	**32,945**	21,173
	747,427	615,054
Less: impairment of other receivables (note 26(a))	**(24,706)**	(21,503)
	722,721	593,551

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

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

As at 31 December 2018, financial assets included in prepayments, deposits and other receivables of RMB94,678,000 (31 December 2017: RMB93,285,000) are denominated in USD.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Impairment of other receivables

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

	2018 RMB'000	2017 RMB'000
At the beginning of the year	**21,503**	25,670
Impairment losses recognized/(reversed)	**2,508**	(3,459)
Exchange realignment	**695**	(708)
At the end of the year	**24,706**	21,503

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

27. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Note	31 December 2018 RMB'000	31 December 2017 (Restated) RMB'000
Pledged bank deposits	(i)	**858**	100
Balances placed with CS Finance	(ii)	**1,267,596**	2,846,940
Balances placed with COSCO Finance	(iii)	**–**	718,020
Unpledged bank balances and cash		**2,200,328**	1,446,296
Cash and cash equivalents		**3,467,924**	5,011,256
Total bank deposits and cash and cash equivalents		**3,468,782**	5,011,356

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

Note:

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

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

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

As at 31 December 2018, cash and cash equivalents of RMB1,297,514,000 (31 December 2017: RMB1,332,183,000) are denominated in USD.

28. TRADE AND BILLS PAYABLES

	31 December 2018 RMB'000	31 December 2017 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.

28. TRADE AND BILLS PAYABLES (Continued)

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

	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.

29. OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB'000	31 December 2017 (Restated) RMB'000
Other payables	**372,209**	502,967
Accruals	**285,100**	244,291
Due to ultimate holding company	**373**	373
Due to immediate holding company	**1,100**	1,100
Due to fellow subsidiaries	**72,508**	49,905
Due to an associate	**6**	1
Due to a joint venture	**–**	10
	731,296	798,647

29. OTHER PAYABLES AND ACCRUALS (Continued)

The amounts due to ultimate holding company, immediate holding company, fellow subsidiaries, an associate and a joint venture are unsecured, non-interest-bearing and repayable on demand.

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

As at 31 December 2018, financial liabilities included in other payables and accruals of RMB136,087,000 (31 December 2017: RMB130,604,000) are denominated in USD.

30. PROVISION AND OTHER LIABILITIES

	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

Details of provision for onerous contracts are as follows:

	RMB'000
At 1 January 2018	**54,621**
Utilised during the year	**(52,977)**
Exchange realignment	**(1,644)**
At 31 December 2018	**–**
Less: current portion	**–**
Non-current portion	**–**

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

31. DERIVATIVE FINANCIAL INSTRUMENTS

As at 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 LIBOR plus 2.20% (31 December 2017: 3-month LIBOR plus 2.20%).

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

	Annual effective interest rate (%)	Maturity	31 December 2018 RMB'000	31 December 2017 RMB'000
Current liabilities				
(i) Bank borrowings				
Secured	20% discount to the People's Bank of China ("PBC") Benchmark interest rate, PBC Benchmark interest rate, 3-month LIBOR + 1.15% to 2.20%, fixed rate of 4.27% to 4.80%	2019	**1,302,590**	1,216,509
Unsecured	LIBOR + 0.70% to 1.70%, 3 month LIBOR + 0.80% to 1.20%	2019	**4,361,564**	4,289,599
			5,664,154	5,506,108
(ii) Other borrowings				
Unsecured	10% discount to the PBC Benchmark interest rate, fixed rate of 3.60%	2019	**1,372,410**	1,372,410
Interest-bearing bank and other borrowings – current portion			**7,036,564**	6,878,518

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

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

	Annual effective interest rate (%)	Maturity	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current liabilities				
(i) Bank borrowings				
Secured	20% discount to the People's Bank of China ("PBC") Benchmark interest rate, PBC Benchmark interest rate, 3-month LIBOR + 1.15% to 2.20%, fixed rate of 4.27% to 4.80%	2020 to 2033	**15,865,245**	14,068,254
Unsecured	LIBOR + 1.00%, 3 month LIBOR + 0.80% to 1.10%	2020 to 2026	**2,745,280**	2,995,123
			18,610,525	17,063,377
(ii) Other borrowings				
Unsecured	10% discount to the PBC Benchmark interest rate	2025	**175,850**	208,850
Interest-bearing bank and other borrowings – non-current portion			**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.

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

(b) As at 31 December 2018 and 31 December 2017, the interest-bearing bank and other borrowings were repayable as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
At 31 December 2018			
Current portion			
Within one year	**5,664,154**	**1,372,410**	**7,036,564**
Non-current portion			
In the second year	**3,381,343**	**33,000**	**3,414,343**
In the third to fifth years, inclusive	**4,611,090**	**99,000**	**4,710,090**
Over five years	**10,618,092**	**43,850**	**10,661,942**
	18,610,525	**175,850**	**18,786,375**
	24,274,679	**1,548,260**	**25,822,939**
At 31 December 2017			
Current portion			
Within one year	5,506,108	1,372,410	6,878,518
Non-current portion			
In the second year	2,653,655	33,000	2,686,655
In the third to fifth years, inclusive	5,038,545	99,000	5,137,545
Over five years	9,371,177	76,850	9,448,027
	17,063,377	208,850	17,272,227
	22,569,485	1,581,260	24,150,745

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

33. OTHER LOANS

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	**772,988**	763,151
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	**388,125**	363,259
Petrochina International Co., Limited ("Petrochina International")	(iii)	**15,972**	16,058
		1,177,085	1,142,468
Less: current portion		**(67,493)**	(73,615)
Non-current portion		**1,109,592**	1,068,853

Note:

(i) As at 31 December 2018, other loans amounted to RMB46,470,000 (31 December 2017: RMB51,163,000) was borrowed by East China LNG Shipping Investment Co., Limited ("ELNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the associates held by ELNG. As at 31 December 2018, the loan is unsecured, interest-bearing at approximately 4.42% to 4.51% over 3-month LIBOR (31 December 2017: approximately 5.24% to 5.40% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2018, other loans amounted to RMB726,518,000 (31 December 2017: RMB711,988,000) was borrowed by China Energy Shipping Investment Co., Limited ("China Energy"), an indirect and non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. As at 31 December 2018, the loan is unsecured, interest-bearing at a weighted average of 3-month LIBOR plus 2.20% and fixed rate of 4.80% (31 December 2017: 3-month LIBOR plus 2.20% and fixed rate of 4.80%) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

(ii) As at 31 December 2018, other loans was borrowed by the subsidiaries of China Energy from their non-controlling shareholder, MOL, to finance certain vessels construction projects being carried out by them. As at 31 December 2018, the loans are unsecured, interest-bearing at a weighted average of 3-month LIBOR plus 2.20% and fixed rate of 4.80% (31 December 2017: 3-month LIBOR plus 2.20% and fixed rate of 4.80%) per annum and repayable within 15 years after the aforementioned vessels construction projects are completed.

(iii) As at 31 December 2018, other loans was borrowed by North China LNG Shipping Investment Co., Limited ("NLNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Petrochina International, to finance certain vessels construction projects being carried out by the associates held by NLNG. As at 31 December 2018, the loan is unsecured, interest-bearing at approximately 3.60% to 3.70% over 3-month LIBOR (31 December 2017: approximately 4.41% to 4.70% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

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

34. BONDS PAYABLE

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the year	**3,985,777**	3,982,045
Interest charge	**3,914**	3,732
	3,989,691	3,985,777
Less: current portion	**(1,498,439)**	–
Non-current portion	**2,491,252**	3,985,777

Details of the balances of corporate bonds are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond at initial recognition RMB'000	At 31 December 2017 RMB'000	Unpaid interest RMB'000	**At 31 December 2018 RMB'000**
3 August 2012	10 years	1,500,000	1,487,100	1,493,290	1,334	**1,494,624**
29 October 2012	7 years	1,500,000	1,488,600	1,496,636	1,803	**1,498,439**
29 October 2012	10 years	1,000,000	992,400	995,851	777	**996,628**
		4,000,000	3,968,100	3,985,777	3,914	**3,989,691**

The Company issued two batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 4.20% and was repaid on 3 August 2015. The second batch is a ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued further two batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually. The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

35. EMPLOYEE BENEFITS PAYABLE

	31 December 2018 RMB'000	31 December 2017 RMB'000
Defined benefit plan payable	**152,070**	140,250
Termination benefit payable	**1,570**	2,130
	153,640	142,380
Less: current portion	**(11,890)**	(12,080)
Non-current portion	**141,750**	130,300

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

Defined benefit plan payable represents post-employment benefit plan for current civil retirees and current retirees which are measured by using actuarial valuation method. Independent actuarial valuation has been carried by Willis Towers Watson, an independent firm with chartered actuarial certification.

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Present value of unfunded obligations	**152,070**	140,250
Less: current portion	**(11,330)**	(11,370)
Non-current portion	**140,740**	128,880

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

35. EMPLOYEE BENEFITS PAYABLE (Continued)

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

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
At the beginning of the year	**140,250**	150,630
Remeasurement for the year	**11,630**	(5,670)
Benefits paid	**(12,370)**	(12,910)
Past service cost	**7,180**	3,490
Interest cost	**5,380**	4,710
At the end of the year	**152,070**	140,250

The weighted average duration of the defined benefit plan is 10.2 (31 December 2017: 9.7) years.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Past service cost	**7,180**	3,490
Net interest on net defined benefit liability	**5,380**	4,710
Total amounts recognised in profit or loss	**12,560**	8,200
Actuarial loss/(gain) recognised in other comprehensive income	**11,630**	(5,670)
Total defined benefit costs	**24,190**	2,530

The past service cost and the net interest on net defined benefit liability totalling RMB12,560,000 (31 December 2017: RMB8,200,000) were recognised in the administrative expenses for the year.

35. EMPLOYEE BENEFITS PAYABLE (Continued)

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

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

	31 December 2018	31 December 2017
Discount rate	**3.25%**	4.00%
Average annual increase rate of supplemental medical benefits	**5.00%**	5.00%

Mortality rate adopted for the defined benefit plan payable as at 31 December 2018 was based on the China Life Insurance Mortality Table 2010-2013 issued by the China Life Insurance Regulatory Commission of the PRC.

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

	Effect of payable	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Increase in 0.5%	**(7,420)**	(6,510)
Decrease in 0.5%	**8,090**	7,080

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

35. EMPLOYEE BENEFITS PAYABLE (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Termination benefit payable	1,570	2,130
Less: current portion	(560)	(710)
Non-current portion	1,010	1,420

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retired Employees").

The Group recognises a liability for the present value of the obligations relating to the termination benefit payable to these Early Retired Employees. The liability related to the termination benefit payable for the Early Retired Employees existing as at 31 December 2018 and 31 December 2017 are calculated by management using future cash flow discounting method.

During the year, related costs paid by the Group for the termination benefit payable was RMB830,000 (31 December 2017: RMB1,150,000).

36. SHARE CAPITAL AND EQUITY LINKED BENEFITS

(a) Share capital

	2018		2017	
	Number of shares (thousand)	Nominal value RMB'000	Number of shares (thousand)	Nominal value RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1 each	1,296,000	1,296,000	1,296,000	1,296,000
Listed A-Shares of RMB1 each	2,736,033	2,736,033	2,736,033	2,736,033
At the beginning and end of the year	4,032,033	4,032,033	4,032,033	4,032,033

36. SHARE CAPITAL AND EQUITY LINKED BENEFITS (Continued)

(b) Share options

The Company operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. No outstanding options were vested and exercisable as at 31 December 2018. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of the Company held on 17 December 2018, the shareholders of the Company approved the adoption of a share option scheme (the "2018 Share Option Scheme"). The purposes of the 2018 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2018 Share Option Scheme, the exercise of the options is subject to a two-year vesting period during which a participant is not allowed to exercise any option granted. After the expiration of the two-year period, the participant may exercise the options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share at relevant exercise price.

Movements of the share options granted by the Company during the year ended 31 December 2018 is set out below:

			For the year ended 31 December 2018 Number of share options					
Date of grant	Note	Exercise price	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2018
27 December 2018	(i)(ii)	RMB6.00	–	35,460,000	–	–	–	35,460,000

36. SHARE CAPITAL AND EQUITY LINKED BENEFITS (Continued)

(b) Share options (Continued)

			For the year ended 31 December 2018 Number of share options						
Category	Note	Exercise price RMB	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2018	Exercisable period
Directors	(i)(ii)	6.00	–	950,000	–	–	–	950,000	28.12.2020-27.12.2025
Continuous contract employees	(i)(ii)	6.00	–	34,510,000	–	–	–	34,510,000	28.12.2020-27.12.2025
			–	35,460,000	–	–	–	35,460,000	

Note:

(i) No outstanding options were vested and exercisable as at 31 December 2018. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 27 December 2018 under the 2018 Share Option Scheme at an exercise price of RMB6.00. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of seven years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

(iii) Fair value of options granted

The fair values of the options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option	Share price at date of grant	Exercise price	Standard deviation of expected share price return	Expected life of share options	Expected dividend paid out rate	Risk-free interest rate
	RMB	RMB	RMB				
Granted on 27 December 2018							
– 35,460,000 share options (outstanding as at 31 December 2018)	1.10	4.44	6.00	40.86%	3.83 years	0.00%	2.97%

37. RESERVES

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out as follows:

	Share premium RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	Available-for-sale-investments revaluation reserve RMB'000	FVOCI reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	7,750,215	270,254	(1,796)	2,877,435	93,158	1,019	-	8,373,216	19,363,501
Profit for the year	-	-	-	-	-	-	-	1,301,398	1,301,398
Dividends approved in respect of previous year	-	-	-	-	-	-	-	(766,086)	(766,086)
At 31 December 2017	7,750,215	270,254	(1,796)	2,877,435	93,158	1,019	-	8,908,528	19,898,813
Change in accounting policy (Note 2.3)	-	-	-	-	-	(1,019)	1,019	-	-
At 1 January 2018	**7,750,215**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**-**	**1,019**	**8,908,528**	**19,898,813**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,903**	**48,903**
Dividends approved in respect of previous year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(201,602)**	**(201,602)**
At 31 December 2018	**7,750,215**	**270,254**	**(1,796)**	**2,877,435**	**93,158**	**-**	**1,019**	**8,755,829**	**19,746,114**

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("PRC GAAP") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "SSR") until the SSR reaches 50% of the registered capital of the Company.

37. RESERVES (Continued)

(b) The Company (Continued)

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2018, before the proposed final dividend, the Company had reserve of RMB8,755,829,000 (31 December 2017: RMB8,908,528,000).

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

(c) Nature and purposes of reserves

(i) Share premium

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

(ii) Revaluation reserve

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

(iii) Capital reserve

The reserve arised from the acquisition of additional interests in a subsidiary and revaluation of assets arising from capital restructuring of a subsidiary.

(iv) Merger reserve

The reserve arised from business combination involving entities under common control.

(v) Statutory reserve

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

37. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(vi) Safety fund reserve

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

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the year. When its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

(vii) General surplus reserve

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

(viii) Hedging reserve

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

(ix) Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period.

(x) FVOCI reserve

The FVOCI reserve comprises the cumulative net change in the fair value of financial assets at FVOCI held at the end of the reporting period.

37. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(xi) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(xii) Other reserve

The reserve arised from the acquisition of subsidiary under common control in April 2009.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Investment properties	**476,867**	1,288,913
Property, plant and equipment	**6,352,806**	245,609
Investments in subsidiaries	**17,415,697**	16,296,746
Investments in an associate	**300,000**	300,000
Loan receivables	**–**	5,565,342
	24,545,370	23,696,610
CURRENT ASSETS		
Current portion of loan receivables	**4,000,000**	3,000,000
Inventories	**4,791**	–
Contract assets	**2,601**	–
Trade and bills receivables	**3,240**	–
Prepayments, deposits and other receivables	**2,640,091**	2,770,324
Tax Recoverable	**28,075**	–
Cash and cash equivalents	**474,634**	2,357,964
	7,153,432	8,128,288
CURRENT LIABILITIES		
Trade and bills payables	**3,106**	–
Other payables and accruals	**2,255,851**	2,376,052
Current portion of interest-bearing bank and other borrowings borrowing	**1,339,410**	1,339,410
Current portion of bonds payable	**1,498,439**	–
Tax payable	**139**	139
	5,096,945	3,715,601
NET CURRENT ASSETS	**2,056,487**	4,412,687
TOTAL ASSETS LESS CURRENT LIABILITIES	**26,601,857**	28,109,297

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	31 December 2018 RMB'000	31 December 2017 RMB'000
EQUITY		
Share capital	**4,032,033**	4,032,033
Reserves	**19,746,114**	19,898,813
TOTAL EQUITY	**23,778,147**	23,930,846
NON-CURRENT LIABILITIES		
Bonds payable	**2,491,252**	3,985,777
Deferred tax liabilities	**192,458**	192,674
Interest-bearing bank and other borrowings	**140,000**	–
	2,823,710	4,178,451
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**26,601,857**	28,109,297

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the year ended 31 December	
	2018	2017 (Restated)
	RMB'000	RMB'000
Profit before tax	**413,063**	2,055,013
Adjustments for:		
Finance costs	**1,287,714**	778,949
Interest income	**(108,904)**	(152,698)
Gain on revaluation of investment properties, net	**(632)**	(33,219)
Loss/(gain) on disposal of property, plant and equipment, net	**73**	(143)
Net fair value gain on financial assets at FVPL	**(661)**	–
Dividends received from available-for-sale investments	**–**	(7,599)
Dividends received from financial assets at FVOCI	**(8,701)**	–
Provision for/(reversal of) impairment losses on trade receivables	**19,293**	(7,483)
Provision for/(reversal of) impairment losses on other receivables	**2,508**	(3,459)
Depreciation of property, plant and equipment	**2,180,734**	1,907,685
Amortisation of prepaid land lease payments	**2,379**	2,378
Provision for onerous contracts	**–**	159,603
Share of profits of associates	**(276,245)**	(266,902)
Share of profits of joint ventures	**(231,906)**	(151,591)
Operating profit before working capital changes	**3,278,715**	4,280,534
Increase in inventories	**(242,541)**	(199,236)
(Increase)/decrease in trade and bills receivables	**(749,711)**	269,538
Decrease in prepayments	**10,267**	196,889

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	For the year ended 31 December	
	2018	2017
		(Restated)
	RMB'000	RMB'000
Decrease in deposits and other receivables	**287,797**	9,864
Increase in amounts due from associates	**(1,334)**	(13,204)
(Increase)/decrease in amounts due from joint ventures	**(540,586)**	80,942
Increase in amounts due from fellow subsidiaries	**(95,680)**	(11,278)
Increase in amounts due from related companies	**(130,746)**	(21,173)
Increase in trade and bills payables	**145,600**	67,932
Increase/(decrease) in other payables	**339,403**	(113,739)
Increase in accruals	**–**	73,091
Increase in amount due to ultimate holding company	**1,879**	373
(Decrease)/increase in amount due to immediate holding company	**(16)**	1,100
Increase/(decrease) in amount due to an associate	**11**	(3)
Decrease in amounts due to joint ventures	**(10)**	(2,098)
Increase/(decrease) in amounts due to fellow subsidiaries	**303**	(336,307)
Decrease in provision and other liabilities	**(55,044)**	(575,884)
Decrease in employee benefits payable	**(370)**	(5,420)
Cash generated from operations	**2,247,937**	3,701,921
Income tax paid	**(91,905)**	(253,197)
Net cash generated from operating activities	**2,156,032**	3,448,724

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Derivative financial instruments (note 31) RMB'000	Interest-bearing bank and other borrowings (note 32) RMB'000	Other loans (note 33) RMB'000	Bonds payable (note 34) RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2018	422,575	24,150,745	1,142,468	3,985,777	29,701,565
Changes from financing cash flows:					
Interest paid	(54,379)	(1,017,625)	(36,336)	(202,550)	(1,310,890)
Increase in interest-bearing bank and other borrowings	–	5,807,830	–	–	5,807,830
Repayment of interest-bearing bank and other borrowings	–	(5,237,852)	–	–	(5,237,852)
Increase in other loans	–	–	63,697	–	63,697
Repayment of other loans	–	–	(109,388)	–	(109,388)
	(54,379)	(447,647)	(82,027)	(202,550)	(786,603)
Other changes:					
Interest expenses	–	982,181	59,912	206,464	1,248,557
Accrued interest expenses recorded in other payables and accruals	–	(32,246)	–	–	(32,246)
Net change in fair value	(56,139)	–	–	–	(56,139)
Currency translation differences	40,325	1,169,906	56,732	–	1,266,963
	(15,814)	2,119,841	116,644	206,464	2,427,135
At 31 December 2018	352,382	25,822,939	1,177,085	3,989,691	31,342,097

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Derivative financial instruments (note 31) RMB'000	Interest–bearing bank and other borrowings (note 32) RMB'000	Other loans (note 33) RMB'000	Bonds payable (note 34) RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2017(restated)	474,988	21,577,842	1,052,071	3,982,045	27,086,946
Changes from financing cash flows:					
Interest paid	(42,281)	(659,393)	–	(202,550)	(904,224)
Subsidy received from government	–	195,000	–	–	195,000
Increase in interest-bearing bank and other borrowings	–	8,761,102	–	–	8,761,102
Repayment of interest-bearing bank and other borrowings	–	(5,021,311)	–	–	(5,021,311)
Increase in other loans	–	–	111,340	–	111,340
Repayment of other loans	–	–	(6,212)	–	(6,212)
	(42,281)	3,275,398	105,128	(202,550)	3,135,695
Other changes:					
Interest expenses	–	601,523	51,530	206,282	859,335
Accrued interest expenses recorded in other payables and accruals	–	(42,749)	–	–	(42,749)
Net change in fair value	16,600	–	–	–	16,600
Currency translation differences	(26,732)	(1,261,269)	(66,261)	–	(1,354,262)
	(10,132)	(702,495)	(14,731)	206,282	(521,076)
At 31 December 2017	422,575	24,150,745	1,142,468	3,985,777	29,701,565

40. ACQUISITION OF SUBSIDIARIES

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

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	396,551
Fair value of net assets acquired shown as below	(381,394)
Goodwill	15,157

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

	RMB'000
Property, plant and equipment	444,448
Current portion of loan receivables	73,767
Inventories	24,176
Trade and bills receivables	106,910
Prepayments, deposits and other receivables	195,308
Cash and cash equivalents	978,382
Trade and bills payables	(247,543)
Other payables and accruals	(592,768)
Deferred tax liabilities	(8,647)
Total identifiable net assets acquired	974,033
Less: Non-controlling interests	(441,351)
Previously held interests (50% interests in Sino-Ocean Shipping, joint venture of the Group)	(151,288)
	381,394
Purchase consideration settled in cash	(396,551)
Cash and cash equivalents in acquired	978,382
Net cash inflow on acquisition	581,831

40. ACQUISITION OF SUBSIDIARIES (Continued)

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

(ii) **Acquired receivables**

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

(iii) **Non-controlling interests**

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

(iv) **Revenue and profit contribution**

The acquired oil shipment operation contributed approximately RMB1,556,407,000 revenues and contributed a net profit of approximately RMB86,003,000 for the year ended 31 December 2018 since the date of acquisition. If the acquisition had occurred on 1 January 2018, the Directors of the Company estimate that consolidated revenue and profit for the year ended 31 December 2018 contributed by the acquired entity would have been approximately RMB1,871,114,000 and approximately RMB101,603,000 respectively.

(v) **Acquisition-related costs**

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

40. ACQUISITION OF SUBSIDIARIES (Continued)

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

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

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

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

41. BUSINESS COMBINATIONS INVOLVING ENTITY UNDER COMMON CONTROL

The Group adopts merger accounting for common control combination in respect of the acquisition of LNG Shipping Management ("Acquired Entity") in 2018 as mentioned in note 1. Statements of adjustments for business combinations under common control on the Group's financial position as at 31 December 2018 and 2017 and 1 January 2017 and the results for the period ended 31 December 2017 are summarised as follows:

	The Group before the Acquired Entity RMB'000	Acquired Entity RMB'000	Adjustments RMB'000	Total RMB'000
At 31 December 2018				
Non-current assets				
Other non-current assets	56,471,527	88	–	56,471,615
	56,471,527	88	–	56,471,615
Current assets				
Other current assets	3,474,035	2,693	–	3,476,728
Cash and cash equivalents	3,467,883	41	–	3,467,924
	6,941,918	2,734	–	6,944,652
Current liabilities				
Other current liabilities	10,879,452	2,124	–	10,881,576
Net current (liabilities)/assets	(3,937,534)	610	–	(3,936,924)
Total assets less current liabilities	52,533,993	698	–	52,534,691
Equity				
Equity attributable to owners of the Company				
Share capital	4,032,033	5,000	(5,000)	4,032,033
Reserves	24,158,889	(4,302)	5,000	24,159,587
	28,190,922	698	–	28,191,620
Non-controlling interests	1,080,578	–	–	1,080,578
Total equity	29,271,500	698	–	29,272,198
Non-current liabilities				
Other non-current liabilities	23,262,493	–	–	23,262,493
Total equity and non-current liabilities	52,533,993	698	–	52,534,691

41. BUSINESS COMBINATIONS INVOLVING ENTITY UNDER COMMON CONTROL (Continued)

	The Group before the Acquired Entity RMB'000	Acquired Entity RMB'000	Adjustments RMB'000	Total RMB'000
At 31 December 2017				
Non-current assets				
Other non-current assets	53,135,242	512	–	53,135,754
	53,135,242	512	–	53,135,754
Current assets				
Other current assets	2,241,835	27	–	2,241,862
Cash and cash equivalents	5,007,654	3,602	–	5,011,256
	7,249,489	3,629	–	7,253,118
Current liabilities				
Other current liabilities	8,874,643	538	–	8,875,181
Net current (liabilities)/assets	(1,625,154)	3,091	–	(1,622,063)
Total assets less current liabilities	51,510,088	3,603	–	51,513,691
Equity				
Equity attributable to owners of the Company				
Share capital	4,032,033	5,000	(5,000)	4,032,033
Reserves	23,887,607	(1,397)	5,000	23,891,210
	27,919,640	3,603	–	27,923,243
Non-controlling interests	342,249	–	–	342,249
Total equity	28,261,889	3,603	–	28,265,492
Non-current liabilities				
Other non-current liabilities	23,248,199	–	–	23,248,199
Total equity and non-current liabilities	51,510,088	3,603	–	51,513,691
For the year ended 31 December 2017				
Revenues	9,504,935	–	–	9,504,935
Profit before income tax	2,055,012	1	–	2,055,013
Income tax expense	(161,644)	–	–	(161,644)
Profit for the year	1,893,368	1	–	1,893,369

41. BUSINESS COMBINATIONS INVOLVING ENTITY UNDER COMMON CONTROL (Continued)

	The Group before the Acquired Entity RMB'000	Acquired Entity RMB'000	Adjustments RMB'000	Total RMB'000
At 1 January 2017				
Non-current assets				
Other non-current assets	49,288,991	761	–	49,289,752
Current assets				
Other current assets	2,635,416	80	–	2,635,496
Cash and cash equivalents	6,385,069	7,864	–	6,392,933
	9,020,485	7,944	–	9,028,429
Current liabilities				
Other current liabilities	7,616,490	5,103	–	7,621,593
Net current assets	1,403,995	2,841	–	1,406,836
Total assets less current liabilities	50,692,986	3,602	–	50,696,588
Equity				
Equity attributable to owners of the Company				
Share capital	4,032,033	5,000	(5,000)	4,032,033
Reserves	23,381,056	(1,398)	5,000	23,384,658
	27,413,089	3,602	–	27,416,691
Non-controlling interests	174,960	–	–	174,960
Total equity	27,588,049	3,602	–	27,591,651
Non-current liabilities				
Other non-current liabilities	23,104,937	–	–	23,104,937
Total equity and non-current liabilities	50,692,986	3,602	–	50,696,588

42. PENSION AND ENTERPRISE ANNUITY SCHEMES

(a) The PRC (other than Hong Kong)

(i) Pension scheme

The Group is required to contribute to a pension scheme (the "Scheme") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 19% to 20% (for the year ended 31 December 2017: 19% to 20%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the year amounted to RMB37,767,000 (for the year ended 31 December 2017: RMB77,473,000).

(ii) Enterprise annuity scheme

In 2008, the representatives of the Group's Labour Union and the Board resolved to approve and adopt an enterprise annuity scheme. Pursuant to the annuity scheme the employer's contributions will be 5% of the total staff costs of the previous year. The employees' contributions will be 1.25% of their income from previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as labour cost for the year amounted to RMB15,680,000 (for the year ended 31 December 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.

(b) Hong Kong

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year amounted to RMB229,000 (for the year ended 31 December 2017: RMB292,000).

43. CONTINGENT LIABILITIES AND GUARANTEE

(i) Aquarius LNG and Gemini LNG, and Capricorn LNG and Aries LNG are associates of ELNG and NLNG (the "4 Associates") respectively. Each associate entered into a ship building contract for one LNG vessel. After the completion of each LNG vessel, the 4 Associates would, in accordance with time charters agreements to be signed, lease their LNG vessels to the following charterers respectively:

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the 4 Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB56,278,240). The guarantee period is limited to the lease period of each LNG vessel leased by the 4 Associates.

(ii) At the 2014 seventh Board meeting held on 31 December 2014, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by 3 joint ventures of the Group for the Yamal LNG project (the "3 Joint Ventures"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to USD167,000,000 (equivalent to RMB1,146,154,400). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. which the total aggregate liability of the Company under these guarantees is limited to USD6,400,000 (equivalent to RMB43,924,480).

43. CONTINGENT LIABILITIES AND GUARANTEE (Continued)

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “Banks”), to the extent of amount of USD377.5 million (equivalent to RMB2,590,858,000), 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.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial year of 1 to 20 (31 December 2017: 1 to 20) years.

As at 31 December 2018, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB’000	31 December 2017 RMB’000
Within one year	**1,942,552**	1,290,351
In the second to fifth years, inclusive	**5,696,341**	3,730,954
Over five years	**17,670,129**	12,452,506
	25,309,022	17,473,811

44. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group entered into non-cancellable operating lease arrangements on vessels and buildings. The leases are negotiated for an initial year of 1 to 15 (31 December 2017: 1 to 15) years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	**727,909**	659,043
In the second to fifth years, inclusive	**1,906,920**	1,940,591
Over five years	**1,142,754**	1,661,768
	3,777,583	4,261,402

45. 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.

45. CAPITAL COMMITMENTS (Continued)

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).

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is controlled by COSCO Shipping, the parent company and a state-owned enterprise established in the PRC.

COSCO Shipping itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Group, COSCO Shipping and its subsidiaries other than the Group (together "COSCO Shipping Group"), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO Shipping as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO Shipping Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

	2018	2017
	RMB'000	RMB'000
Transactions with COSCO Shipping		
Revenues		
Rental income, including surcharge	**7,650**	19,256
Expense		
Interest expense	**12,388**	2,613
Transactions with China Shipping		
Expense		
Interest expense	**36,500**	20,100

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	2018 RMB'000	2017 RMB'000
Transactions with fellow subsidiaries and the related entities of COSCO Shipping		
Revenues		
Shipment income	**13,607**	11,051
Vessel chartering income	**22,798**	–
Vessel management income	**–**	1,321
Technical services income	**1,292**	–
Supply of shipping materials	**9,750**	15,237
Rental income, including surcharge	**4,040**	3,782
Interest income from a fellow subsidiary	**3,940**	7,132
Expenses		
Supply of fuels, lubricating oil, materials etc.	**3,440,498**	2,137,542
Oil removal treatment, maintenance, telecommunication etc.	**31,871**	25,250
Dry-docking, repairs, technical improvements etc.	**197,471**	68,705
Management services of sea crew	**1,169,783**	632,933
Vessels and shipping agency	**70,155**	46,187
Other miscellaneous management services	**11,861**	5,640
Vessel management expense	**–**	50,435
Rental expense	**15,923**	18,252
Insurance expense	**64,828**	38,322
Others		
Construction of vessels	**50,293**	810,113
Transactions with joint ventures of the Group		
Revenues		
Interest income from joint ventures	**27,369**	31,326
Transactions with associates of the Group		
Revenues		
Interest income from associates	**51,260**	27,362
Rental income, including surcharge	**1,844**	3,905
Vessel chartering income	**111,450**	109,847

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Note: These transactions were conducted either based on terms as governed by the master agreements and subsisting agreements entered into the Group and COSCO Shipping Group or based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2018 and 31 December 2017, majority of the Group's bank balances and bank borrowings are with state-owned banks.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, derivative financial instruments and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and contract assets and trade and bills payables, which arise directly from its operations.

The Group also enters into interest rate swap transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management regularly manages the financial risks of the Group. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign currency risk

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

As at 31 December 2018, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, after-tax profit for the reporting period would have been RMB3,808,000 lower/higher (31 December 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

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

As at 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 reporting period would have been RMB122,576,000 (31 December 2017: RMB111,606,000) lower/higher, mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

(iii) Price risk

As at 31 December 2018, the Group's financial assets at FVOCI amounted to RMB268,278,000 (31 December 2017: RMBnil) and financial assets at FVPL amounted to RMBnil (31 December 2017: RMBnil) as disclosed in note 22 to the consolidated financial statements are measured at fair value at the end of each reporting period. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stockholding decisions.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade and bills receivables, contract assets, deposits and other receivables, loan receivables, financial guarantees, pledged bank deposits and cash and cash equivalents. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and contract assets and impairment of other receivables as set out in notes 25 and 26 to the consolidated financial statements.

As at 31 December 2018, trade and bills receivables due from the top five debtors amounted to RMB251,787,000 (31 December 2017: RMB214,479,000), representing 32% (31 December 2017: 22%) of the total trade and bills receivables.

The Group has provided lease and corporate guarantees relating to the time charter agreements, ship buildings contracts and bank borrowings in respect of certain associates and joint ventures in their ordinary course of business. The Group controls its credit risk to non-performance by its counterparties through monitoring the credit rating of these counterparties. As at 31 December 2018, the Directors are of the opinion that the credit risk is minimal as the associates and joint ventures have good credit standing.

As at 31 December 2018 and 31 December 2017, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and several non-bank financial institutions which are related parties of the Group. In view of strong state support provided to those government-related financial institutions, the Directors are of the opinion that there is no significant credit risk on such assets being exposed.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB3,936,924,000. As at 31 December 2018, the Group has total unutilised uncommitted and committed credit facilities of approximately RMB11,343,000,000 from banks, the Directors believe that, based on experience to date, it is likely that these facilities will be rolled over in the coming year if required. In preparing the financial statements, the Directors consider the adequacy of cash inflows from operations and financing to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for the coming 12 months. With the cash inflows from operations and available credit facilities and other sources of financing, the Directors consider that the Group will be able to obtain sufficient financing to enable it to operate, as well as to meet its liabilities as and when they become due, and the capital expenditure requirements for the coming 12 months. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities (net settled and gross settled derivative financial instruments) into relevant maturity groupings based on the remaining year at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows, except that the amount for derivative financial instruments is the fair value.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

		Contractual undiscounted cash flows			
	Carrying amount RMB'000	Total RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000
At 31 December 2018					
Trade and bills payables	**1,454,436**	**1,454,436**	**1,221,681**	**223,758**	**8,997**
Financial liabilities included in other payables and accruals (excluding interest payable)	**537,141**	**537,141**	**537,141**	**–**	**–**
Interest payable in relation to borrowings and bonds	**162,765**	**162,765**	**162,765**	**–**	**–**
Derivative financial instruments	**352,382**	**352,382**	**–**	**–**	**352,382**
Interest-bearing bank and other borrowings	**25,822,939**	**30,037,248**	**8,054,113**	**4,190,662**	**17,792,473**
Other loans	**1,177,085**	**1,529,401**	**129,935**	**100,422**	**1,299,044**
Bonds payable	**3,989,691**	**2,082,950**	**1,702,550**	**126,800**	**253,600**
	33,496,439	**36,156,323**	**11,808,185**	**4,641,642**	**19,706,496**
At 31 December 2017					
Trade and bills payables	1,046,561	1,046,561	1,046,561	–	–
Financial liabilities included in other payables and accruals (excluding interest payable)	640,804	640,804	640,804	–	–
Interest payable in relation to borrowings and bonds	144,531	144,531	144,531	–	–
Derivative financial instruments	422,575	422,575	–	–	422,575
Interest-bearing bank and other borrowings	24,150,745	27,819,798	7,802,073	3,391,023	16,626,702
Other loans	1,142,468	1,715,519	116,362	109,546	1,489,611
Bonds payable	3,985,777	4,785,500	202,550	1,702,550	2,880,400
	31,533,461	36,575,288	9,952,881	5,203,119	21,419,288

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Financial assets:				
Financial assets at FVOCI	**262,782**	**–**	**5,496**	**268,278**
Financial liabilities:				
Derivative financial instruments	**–**	**352,382**	**–**	**352,382**
At 31 December 2017				
Financial assets:				
Available-for-sale investments				
– Listed equity investments	303,612	–	–	303,612
Financial liabilities:				
Derivative financial instruments	–	422,575	–	422,575

During the year ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the listed equity investments are based on the current bid price.

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (Continued)

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

The fair value of interest rate swap agreements as derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2018 and 31 December 2017.

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group's net debt-to-equity ratio as at 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%

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2018, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2018	2017	2018	2017	
COSCO SHIPPING Tanker (Shanghai) Co., Ltd.	The PRC/Limited liability company	RMB1,666,666,600	Ordinary	100%	100%	-	-	Oil transportation and vessel chartering
Dalian Tanker	The PRC/Limited liability company	RMB6,378,152,557	Ordinary	100%	100%	-	-	Oil transportation and vessel chartering
Shenzhen Sanding Oil-Shipping Co., Ltd.	The PRC/Limited liability company	RMB299,020,000	Ordinary	51%	51%	-	-	Oil transportation and vessel chartering
COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd.	The PRC/Limited liability company	RMB700,000,000	Ordinary	100%	100%	-	-	Investment holding
Offshore Oil (Yangpu) Shipping Co., Ltd.	The PRC/Limited liability company	RMB20,000,000	Ordinary	-	-	43%	43%	Oil transportation and vessel chartering
Huahai Petrol Transportation & Trading Co., Limited	The PRC/Limited liability company	RMB56,879,168	Ordinary	50%	50%	-	-	Oil transportation and vessel chartering
COSCO PetroChina SHIPPING	The PRC/Limited liability company	RMB342,040,800	Ordinary	51%	-	-	-	Oil transportation and vessel chartering
China Shipping Development (Hong Kong) Marine Co., Limited	Hong Kong/Limited liability company	USD100,000,000	Ordinary	100%	100%	-	-	Investment holding
ELNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	70%	70%	-	-	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2018	2017	**2018**	2017	
NLNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**90%**	90%	**-**	-	Investment holding
COSCO SHIPPING Tanker (Singapore) Pte. Ltd.	Singapore/Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
China Energy	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**-**	-	**51%**	51%	Investment holding
USA Tanker	The United States of America/ Limited liability company	USD400,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services

The above table lists the subsidiaries which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Directors considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

50. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's presentation and as a result of the application of merger accounting due to the business combination involving entities under common control.

CORPORATE INFORMATION

Legal name:	中遠海運能源運輸股份有限公司
English name:	COSCO SHIPPING Energy Transportation Co., Ltd.*
Registered address:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Business address:	670 Dongdaming Road, Hongkou District, Shanghai, The People's Republic of China
Postal Code:	200080
Tel:	(8621) 65967678
Fax:	(8621) 65966160
Place of business in Hong Kong:	RMS 3601-3602, 36/F West Tower, Shun Tak CTR 168-200 Connaught RD Central, Hong Kong
Legal representative:	Mr. Huang Xiaowen
Secretary of the Board:	Ms. Li Zhuoqiong
Company Secretary:	Ms. Yao Qiaohong
Unified Social Credit Code:	91310000132212734C
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
Hong Kong auditor:	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong

* For identification purpose only

PRC auditor:	ShineWing Certified Public Accountants LLP Fuhua Mansion, North AVE #8 Chaoyangmen, Dongcheng District, Beijing, the PRC
Legal advisors:	Grandall Law Firm (Shanghai Office) 23-25th floor, Garden Square 968 West Beijing Road, Shanghai, The People's Republic of China Norton Rose Fulbright 38/F Jardine House, 1 Connaught Place, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138 A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Office of the Board of Directors COSCO SHIPPING Energy Transportation Co., Ltd. 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, The People's Republic of China
Company's website:	www.coscoshippingenergy.com

EXECUTIVE DIRECTORS

Huang Xiaowen

Mr. Huang Xiaowen, born in May 1962, is a senior engineer and holds an EMBA degree. He is currently the executive director and the chairman of the Company and the Strategy Committee of the Board. He is also an Executive Vice President and Party Committee Member of China COSCO Shipping Corporation Limited, the vice chairman and an executive director of COSCO SHIPPING Holdings Co., Ltd. (stock code: 601919.SH, 01919.HK), chairman of COSCO SHIPPING Lines Limited and the chairman, non-executive director of COSCO SHIPPING Ports Limited (stock code: 01199.HK), the director of COSCO SHIPPING (South East Asia) Pte Ltd., and the president and an executive director of Orient Overseas Container Line (stock code: 00316.HK), chairman of China Marine Bunker Supply Company and chairman of China LNG Shipping (Holdings) Limited. Mr. Huang started his shipping career in July 1981, and was the Manager of Container Shipping Section of Guangzhou Ocean Shipping Company, Deputy General Manager and General Manager of Container Transportation Department of China Ocean Shipping Company, Container Business Adviser to Shanghai Haixing Shipping Company, Deputy Managing Director, Managing Director and the vice party secretary, vice chairman and executive director of COSCO SHIPPING Development Co., Ltd. (previously known as China Shipping Container Lines Co Ltd.) (stock code: 601866.SH, 2866.HK) and the chairman of China Shipping Haisheng Co., Ltd. (stock code: 600896.SH). He was appointed as Executive Vice President of China Shipping Group Company Limited in May 2012. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School in September 2010, majored in Business Administration, and obtained the EMBA Degree. Mr. Huang was an executive director of the Company from May 2013 to September 2016 and is an executive Director of the Company since October 2017.

Liu Hanbo

Mr. Liu Hanbo, born in November 1959, holds a master's degree in engineering and is a senior economist. He is currently the executive director, a member of Strategy Committee and the general manager of the Company. Mr. Liu served as the deputy general manager of COSCO Dalian Industries Company, the deputy director of the Development Department and the head of Operation and Management Department of Dalian Ocean Shipping Company Limited, the general manager of COSCO Dalian Industries Development Company, the general manager of the Development Department and director of Assets Operation Center of China Ocean Shipping (Group) Company, the vice president of COSCO (Hong Kong) Group Limited, the general manager of COSCO (H.K.) Industries and Trade Holdings Ltd., the general manager of COSCO International Holdings Ltd., the deputy general manager of Dalian Ocean Shipping Company Limited, the president of China Ocean Shipping Company Americas, Inc., the general manager of China COSCO Bulk Shipping (Group) Co., Ltd., and the general manager of COSCO SHIPPING Bulk Co., Ltd. Mr. Liu joined the Company in August 2016.

Lu Junshan

Mr. Lu Junshan, born in January 1959, has a graduate education background and holds a Master's Degree in Laws. He is also a professorate senior political engineer. He is currently an executive director, a member of Strategy Committee and a deputy general manager of the Company. Mr. Lu was formerly the ship's second engineer, and the deputy section chief of President's Office of Shanghai Ocean Shipping Co., Ltd., the director of President's Office, the director of Party Committee Office and the member of Party Committee of Shanghai Shipping Exchange. He was appointed as the vice-Minister of Publicity Department, the general manager of Enterprise Culture Department and Spiritual Civilization Construction Office of COSCO Container Lines Co., Ltd. He was also the Minister of Publicity Department, the vice-Minister of Party Work Department of China Ocean Shipping (Group) Company, the Party secretary, the vice president of Hainan COSCO Boao Company Limited, the chairman of the union of COSCO Container Lines Co., Ltd. and the Party secretary, the vice president of Dalian Ocean Shipping Company Limited. Mr. Lu joined the Company in June 2016.

NON-EXECUTIVE DIRECTORS

Feng Boming

Mr. Feng Boming, born in October 1969, holds a master's degree in business administration and is an economist. He is currently a non-executive director and a member of Strategy Committee of the Company, the general manager of the strategic and corporate management division of China COSCO Shipping Corporation Limited. He is also a non-executive director of COSCO SHIPPING Holdings Co. Ltd. (stock code: 601919.SH, 01919.HK), a non-executive director of COSCO SHIPPING Development Co., Ltd. (stock code: 601866.SH, 02866.HK), and a non-executive director of COSCO SHIPPING Ports Limited (stock code: 01199.HK) and Piraeus Port Authority S.A (listed in Greece, stock code PPA), a non-executive director of COSCO SHIPPING International (Hong Kong) Co., Limited. Mr. Feng served as deputy manager and manager of the commercial section of the liner division, and deputy manager and manager of the trade protection division of COSCO Container, general manager of COSCO Container Hong Kong Mercury Co., Ltd. of COSCO Container, general manager of the management and administration department of COSCO Holdings Co., Ltd. (Hong Kong) and general manager of the administration department of COSCO Container Lines (Hong Kong) Co., Limited, general manager of the Wuhan branch of COSCO Container China branch, and director of the strategic management implementation office of China Ocean Shipping (Group) Company. Mr. Feng joined the Company in September 2016.

Zhang Wei

Mr. Zhang Wei, born in April 1966, is an engineer. He is currently a non-executive Director and a member of Strategy Committee of the Company, the general manager of the operating management division of China COSCO Shipping Corporation Limited, a non-executive director of COSCO SHIPPING Holdings Co. Ltd. (stock code: 601919.SH, 01919.HK), a non-executive director of COSCO SHIPPING Ports Limited (stock code: 01199.HK), and director of COSCO SHIPPING Specialized Carriers Co., Ltd. (stock code: 600428.SH), COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING Lines Co., Ltd. and COSCO SHIPPING Captive Insurance Co., Ltd. Mr. Zhang served as a crew member in Guangzhou Ocean Shipping Company, deputy manager of the container transportation department, deputy director of the marketing department and deputy general manager for the Asia-Pacific trade zone of COSCO Container, deputy general manager of the business advisory development department of COSCO Container, deputy general manager of Florens Container Services Company Limited and executive vice president of Piraeus Container Terminal S.A. Mr. Zhang joined the company in September 2016.

Lin Honghua

Ms. Lin Honghua, born in June 1964, is an assistant accountant. She is currently a non-executive director and a member of Strategy Committee of the Company, the chief auditor of the finance and accounting division of China COSCO Shipping Corporation Limited. Ms. Lin served as deputy section chief, deputy director and director of the planning and finance department of COSCO Group, director of the finance department of COSCO Group, chief financial officer of COSCO Oceania Pty Ltd., chief auditor of the finance department of China Ocean Shipping (Group) Company, a director of COSCO SHIPPING Specialized Carriers Co., Ltd. (stock code: 600428.SH) and a director of Lanhai Medical Investment Co., Ltd. (stock code: 600896.SH) etc. Ms. Lin joined the company in September 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ruan Yongping

Mr. Ruan Yongping, born in September 1973, is a Doctor of Accountancy, a professor of accounting and a doctoral tutor. He is currently an independent non-executive Director of the Company, the chairman of the Company's Audit Committee, a member of each of the Nomination Committee and Remuneration and Appraisal Committee, the deputy head of the Academic Committee of Business School and the head of Corporate Finance Research Institute at East China University of Science and Technology, a member of The Chinese Institute of Certified Public Accountants, and a director of the Chinese Finance Cost Research Institute. Mr. Ruan worked in the securities headquarters of Guangdong Overseas Chinese Trust and Investment Company from 1998 to 2001 as a member of its management in the securities issue, research and development and sales departments, and was also the responsible person of its branch. Mr. Ruan studied in the School of Management, Shanghai Jiao Tong University from 2001 to 2005 majoring in corporate management (specialized in corporate finance), and graduated with the doctorate degree in management. Since 2005 up to the present, Mr. Ruan has been engaged in teaching and scientific research in the Faculty of Accounting of Business School at East China University of Science and Technology, and worked as the deputy head of the Academic Committee of Business School, a professor, a doctoral tutor, the head of Corporate Finance Research Institute, and the financial accreditation expert of the National Innovation Fund. Mr. Ruan is currently an independent director of each of Guangzhou Zhiguang Electric Co., Ltd. (stock code: 002169.SZ), and Shanghai Yaoji Playing Card Co., Ltd. (stock code: 002605.SZ), an independent director of Zhejiang Rongsheng Paper Industry Holding Co., Ltd. (stock code: 603165.SH), was also an independent director of C&S Paper Co., Ltd. (stock code: 002511.SH) from December 2008 to January 2015, and an independent director of SHANGHAI CIMIC TILES CO., LTD. (stock code: 002162.SH) from June 2011 to May 2017. Mr. Ruan joined the Company as an independent non-executive Director in March 2014.

Ip Sing Chi

Mr. Ip Sing Chi, born in August 1953, is currently an independent non-executive director of the Company, the chairman of the Company's Remuneration and Appraisal Committee, a member of the Company's Strategy Committee, a member of the Nomination Committee, the Group Managing Director of Hutchison Port Holdings Management Pte. Limited and the chairman of Yantian International Container Terminals Co., Ltd. He is also an executive director of Hutchison Port Holdings Management Lte. Limited (listed in Singapore, stock code: NS8U), a non-executive director of Orient Overseas Container Line (stock code: 00316.HK), an independent non-executive director of Piraeus Port Authority S.A., and a non-independent non-executive director of Westports Holdings Berhad (listed in Malaysia, stock code: 5246). Mr. Ip was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. Mr. Ip was a non-executive director of Tradelink Electronic Commerce Limited (stock code: 00536.HK), an outside director of Hyundai Merchant Marine Co., Ltd. (listed in Korea, stock code: 11200), and an independent non-executive director of COSCO SHIPPING Ports Limited (stock code: 01199.HK). Mr. Ip served as a member of Hong Kong Maritime and Port Board from 2009 to the end of 2014. He has over 35 years of experience in the maritime industry, and holds a Bachelor of Arts degree. Mr. Ip joined the Company as an independent non-executive Director in June 2014.

Rui Meng

Mr. Rui Meng, born in November 1967, is a Ph.D. of Finance, an independent non-executive Director of the Company, the chairman of the Nomination Committee, a member of each of the Strategy Committee, Remuneration and Appraisal Committee and Audit Committee of the Company, a Professor of Finance and Accounting and Zhongkun Group Chair in Finance at China Europe International Business School ("CEIBS"). He is Director of Ph.D. Programme and Director of CEIBS Center for Wealth Management. He is an independent director of SGSB Group Co., Ltd. (stock code: 600843.SH), an independent director of Winner Information Technology Co., Inc. (stock code: 300609.SZ), an independent non-executive director of China Education Group Holdings Limited (stock code: 00839.HK) and an independent non-executive director of Country Garden Service Holdings Limited (stock code: 06098.HK). Dr. Rui holds a B.S. degree in International Economics (1990) from the Institute of International Relations in Beijing, a Msc. degree in Economics (1993) from Oklahoma State University as well as an MBA in Statistics (1995) and a Ph.D. in Finance (1997), both from the University of Houston. Dr. Rui's teaching and research areas are mainly concentrated in terms of finance. Dr. Rui has published more than 90 articles in the international famous journals and is a member of think-tankers for many prominent media. He is also professionally designated as Certified Financial Analyst (CFA) and Financial Risk Manager (FRM). Prior joining CEIBS, Dr Rui worked in finance and accounting departments at the Chinese University of Hong Kong and the Hong Kong Polytechnic University and was a tenured professor of the Chinese University of Hong Kong. He served as the deputy director of the China Accounting and Finance Center of the Hong Kong Polytechnic University, a senior researcher of Economic and Financial Research Center of the Chinese University of Hong Kong, the deputy director of Corporate Governance Research Center of the Chinese University of Hong Kong, director of the master of accounting (MACC) program at the Chinese University of Hong Kong and director of the program of Executive Master of Accounting (EMPACC) of the Chinese University of Hong Kong. Dr. Rui is also an award winning teacher and researcher. He received the Faculty Teaching Award at the Chinese University of Hong Kong, six years in a row, from 2004 to 2009. He received the 2013 Research Excellence Award at CEIBS and was awarded the first CEIBS Medal for Research Excellence in 2015 and the Teaching Excellence Award at CEIBS in 2017. He was one of the 2013 annual Young Economists of China. Dr. Rui is a member of Risk Management Committee of Shanghai Clearing House, a member of American Finance Association, International Financial Management Association, the American Accounting Association, and The Hong Kong Securities and Investment Institute. He was a former member of the Panel of Examiners of the Securities Industry Examination of the Hong Kong Stock Exchange. He was a visiting financial economist at Shanghai Stock Exchange, research fellow at Hong Kong Institute for Monetary Research and research fellow at Asian Development Bank Institute, and was also an independent director of Midea Group Co., Ltd. (stock code: 000333.SZ) from September 2015 to September 2018. Mr. Rui joined the Company as an independent non-executive Director in June 2015.

Teo Siong Seng

Mr. Teo Siong Seng, was born in Singapore in December 1954, is an independent non-executive Director of the Company, a member of each of the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee of the Company. Mr. Teo graduated from Glasgow University in the United Kingdom in 1979 with a First Class Honours Degree in Naval Architecture & Ocean Engineering. He is the executive chairman of Pacific International Lines (Pte) Ltd., the chairman and chief executive officer of Singamas Container Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 00716.HK) and an independent non-executive director of COSCO SHIPPING Holding Co., Ltd. (stock code: 601919.HK) He is the honorary president of the Singapore Chinese Chamber of Commerce & Industry and was a nominated member of parliament of the Singapore Government. He was the founding chairman of Singapore Maritime Foundation and president of Singapore Shipping Association. Mr. Teo is currently the chairman of the Singapore Business Federation, honorary consul of the United Republic of Tanzania in Singapore, director of Business China, industrial consultant of Joint Implementation Committee of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, chairman of the China-Singapore Connectivity (Chongqing) Logistics Development Co., Ltd. and chairman of the China-Singapore Nanning International Logistics Park. Mr. Teo joined the Company as an independent non-executive Director in December 2015.

SUPERVISORS

Weng Yi

Mr. Weng Yi, born in July 1967, holds a master's degree in management, and is a senior captain and senior engineer. He is currently the chairman of Supervisor Committee of the Company, safety director and general manager of the safety management department of China COSCO Shipping Corporation Limited, chairman of the Supervisor Committee of COSCO SHIPPING Bulk Co., Ltd., and director of COSCO SHIPPING Ferry Co., Ltd. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., deputy chief of the sailing department and deputy chief of the shipping department of China Shipping Development Co., Ltd. Tramp Co., deputy director of the shipping department of China Shipping Group Company Limited, general manager of Zhuhai New Century Shipping Company Limited, deputy general manager of China Shipping Development Co., Ltd. Tramp Co., general manager of the shipping department and general manager of the operation department of China Shipping Group Company Limited and chief captain of China Shipping Group Company Limited. Mr. Weng joined the company in September 2016.

Yang Lei

Mr. Yang Lei, born in December 1971, has a Bachelor's degree and is a senior economist. He is now a Supervisor of the Company and the deputy general manager of Legal and Risk Management Department of China COSCO Shipping Corporation Limited. Mr. Yang began his career in 1994 and served as deputy general manager of Strategic Development Department of COSCO Container Lines Co., Ltd. and the deputy general manager of Legal and Risk Management Department of China Ocean Shipping (Group) Company. Mr. Yang graduated from East China University of Political Science and Law and majored in International Economic Law. Mr. Yang joined the Company in June 2018.

Xu Yifei

Mr. Xu Yifei, born in November 1965, is a marine captain, a senior engineer and has a bachelor degree in engineering. He is currently the chairman of the labor union of the Company and a Supervisor of the Company as a representative of employees. Mr. Xu Yifei has been served as a ship's chief officer of Shanghai Hai Xing Shipping Company Limited, a ship's marine captain of China Shipping International Ship Management Co., Ltd., the deputy chief of the maritime management department, the section chief and deputy general manager of vessel administration department, the department head of human resources department and the chairman of labor union of China Shipping Tanker Company Limited. He serves as the chairman of labor union of the Company since June 2016 and is a Supervisor of the Company since July 2016.

An Zhijuan

Ms. An Zhijuan, born in April 1978, a political engineer, has a postgraduate degree and a master degree in law. She is currently the department head of Human Resources Department and Organization Department of the Company and a Supervisor of the Company as a representative of employees. Ms. An graduated from Dalian Maritime University in April 2003 majoring in international law. She has been served as the deputy chief of the supervision and audit department of China Shipping Air Cargo Co., Ltd., the vice section chief of the supervision and audit department of China Shipping Group Company Limited. Ms. An serves as the head of the supervision and audit department of China Shipping Tanker Company Limited since she joined the Company in September 2015, she serves as the department head of the supervision and audit department of the Company from June 2016 to June 2018 and is a Supervisor of the Company since July 2016.

SENIOR MANAGEMENT

Qin Jiong

Mr. Qin Jiong, born in September 1968, has a college degree and is a sea captain. He is now a deputy general manager of the Company. Mr. Qin was formerly a sea captain of Shanghai Maritime Bureau, deputy general manager of Container Transport Division I and director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., and the general manager of the Operation Management Department of China Shipping Group Company Limited. Mr. Qin joined the Company as a deputy general manager in March 2016.

Xiang Yongmin

Mr. Xiang Yongmin, born in July 1962, has a junior college education background and holds a Master's Degree in Engineering and is also an accountant. He is now the Chief Financial Officer of the Company and a director of COSCO SHIPPING West Asia FZE. Mr. Xiang was formerly the deputy director of the Settlement Division of Finance Department of Dalian Ocean Shipping Company Limited, the manager of China and Tanzania Ocean Shipping Company, the deputy manager, the director, the general manager of Finance Department, and the Chief Financial Officer of Dalian Ocean Shipping Company Limited. He was also the member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. Xiang was a deputy general manager of the Company from June 2016 to August 2017. Mr. Xiang has more than 30 years' experience in financial works and has extensive experience in financial, corporate strategy and management field. Mr. Xiang joined the Company in June 2016.

Luo Yuming

Mr. Luo Yuming, born in December 1967, holds a Bachelor's Degree and is a senior engineer. He is currently a deputy general manager of the Company. Mr. Luo graduated from the Dalian Maritime University majoring in Navigation. He joined the Company in August 1989 and served as captain of oil tankers, head of maritime section, assistant to general manager and deputy general manager of China Shipping Development Company Limited Tanker Company — (Guangzhou Branch). He was appointed the director of the vessel administration department of China Shipping Development Co., Ltd. Tanker Company in September 2005 and the general manager of the shipping department in January 2007. He was also the vice general manager of China Shipping Tanker Company Limited in May 2012. Mr. Luo was appointed the deputy general manager of the company in June 2016.

Zhao Jinwen

Mr. Zhao Jinwen, born in May 1962, has a graduate education background and holds a Master's Degree in Engineering and is also an senior chief engineer. He is now a deputy general manager of the Company. Mr. Zhao was formerly ship's chief engineer, the manager of Security Technology Department, the manager of Ship Technology Department, the deputy general manager and the general manager of Security Technology Department. He was also formerly the general manager assistant, the vice general manager and the member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. Zhao joined the Company as a deputy general manager in June 2016.

Li Zhuoqiong

Ms. Li Zhuoqiong, born in October 1973, is graduated from Dalian Maritime University with a Master's Degree in International Law and is also a senior economic engineer. She is now the Chief Law Officer and the Secretary of the Board of the Company. Ms. Li began her career in August 1995, and was the general manager of Strategic Development Department of Dalian Ocean Shipping Company, and was also the general manager of Strategy and Enterprise Management Department of the Company from June 2016 to March 2017.

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