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)

ANNUAL REPORT 2019

(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 ("**COSCO SHIPPING**", together with its subsidiaries, "**COSCO SHIPPING Group**"). 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.

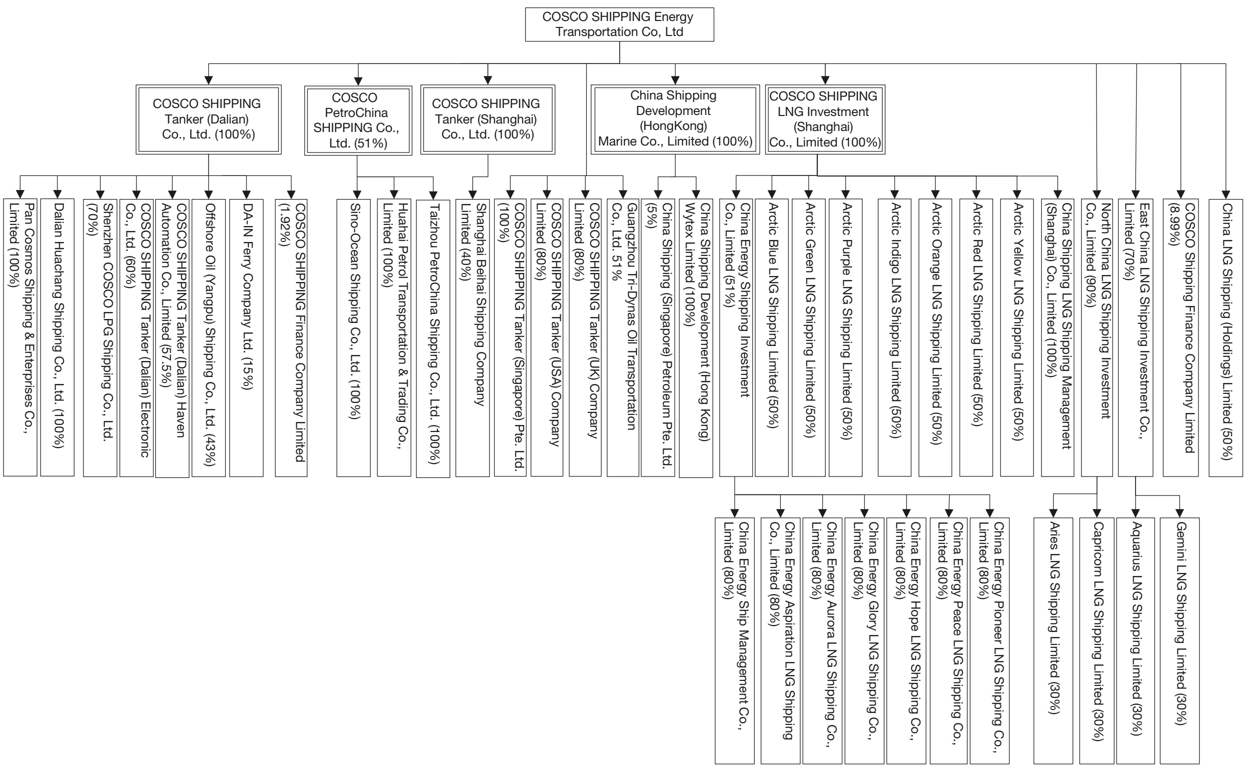
In terms of fleet size, COSCO SHIPPING Energy is the world's largest oil tanker owner. As of 31 December 2019, the Group owned and controlled 151 oil tankers with a total capacity of 21.71 million Dead Weight Tonnage ("**DWT**"), including 142 self-owned oil tankers with a capacity of 19.25 million DWT, 9 chartered-in oil tankers with a capacity of 2.46 million DWT and 17 oil tankers with a capacity of 3.04 million DWT in order book.

As of 31 December 2019, the Group had a total of 38 jointly-invested LNG vessels, including 35 LNG vessels in operation with aggregate capacity of 5,900,000 cubic meters and 3 LNG vessels under construction with aggregate capacity of 522,000 cubic meters.

COSCO SHIPPING Energy has maintained good cooperative relationships 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 2019, the composition of the Group were as follows:



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2019	2018	2017	2016	2015
			(Restated)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from continuing operations	**13,721,140**	12,099,685	9,504,935	9,808,889	10,709,298
Profit before tax from continuing operations	**1,001,988**	413,063	2,055,013	1,533,373	3,022,077
Profit for the year from continuing operations	**671,604**	293,406	1,893,369	1,210,326	2,784,955
Profit/(loss) from discontinued operation, net of tax	**–**	–	–	760,501	(1,527,222)
Profit for the year	**671,604**	293,406	1,893,369	1,970,827	1,257,733
Profit for the year attributable to owners of the Company	**413,857**	74,679	1,774,648	1,932,524	1,180,921

			(Restated)		
	RMB	RMB	RMB	RMB	RMB
Earnings per share	**0.1026**	0.0185	0.4401	0.4793	0.2970
Dividend per share	**0.04**	0.02	0.05	0.19	0.10

	At 31 December				
	2019	2018	2017	2016	2015
			(Restated)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**65,841,861**	63,416,267	60,388,872	58,309,476	85,925,448
Total liabilities and non-controlling interests	**(37,717,126)**	(35,224,647)	(32,465,629)	(30,896,387)	(54,218,230)
Equity attributable to owners of the Company	**28,124,735**	28,191,620	27,923,243	27,413,089	31,707,218

			(Restated)		
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.975**	6.992	6.925	6.799	7.864

1. THE MAIN BUSINESSES, OPERATING MODEL OF THE COMPANY AND CONDITIONS OF THE INDUSTRY DURING THE YEAR ENDED 31 DECEMBER 2019 (THE "REPORTING PERIOD")

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

In terms of fleet size, the Group is the world's largest oil tanker owner. As of 31 December 2019, the Group owned and controlled 151 oil tankers with a total capacity of 21.71 million Dead Weight Tonnage ("**DWT**"), including 142 self-owned oil tankers with a capacity of 19.25 million DWT, 9 chartered-in oil tankers with a capacity of 2.46 million DWT and 17 oil tankers with a capacity of 3.04 million DWT in order book. The Group is also a leading player in the coastal crude oil and product oil transportation industry in the PRC. In the coastal crude oil transportation sector, the Group has maintained its position as an industry leader and a market share of over 55%. After completing of the acquisition of product oil tanker fleet of PetroChina in March 2018, the Group has become a flagship in the coastal product oil transportation market.

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

The international tanker industry emerged from the oil trade as a result of the different geographical distribution of major oil producing and consuming areas. Seaborne shipping is the most efficient and cost-effective way to transport the greatest volume of petroleum. The international oil tanker transportation industry has three characteristics. Firstly, direction of cargo flow is relatively homogenous with fixed layout of routes. Compared with other water transport services, oil shipping tends to involve a high proportion of one-way ballast voyages and low utilization of load capacity. This pattern is more obvious in crude oil shipping than product oil shipping and in large oil tankers than small and medium oil tankers. Secondly, the risk of safety issues and oil pollution is greater, and major oil companies have special inspection mechanisms. More than 80% of the tanker terminals and 85-90% of the oil products in the world are in the hands of major oil companies. The oil tanker companies engaged in international business may not provide transportation services to these oil companies unless they pass the inspection of the vessel management conditions by oil giants. Therefore, vessel management expertise is one of the core competitiveness of international oil tanker companies. Thirdly, tanker freight rates are more closely impacted by international political and economic factors and are thus highly volatile. The reason lies in the high correlation between the transported goods-oil and the international politics and economy. In the past two decades, TD3 (Middle East-Far East) route for very large crude carrier ("**VLCC**") recorded the lowest daily Time Charter Equivalent ("**TCE**") of USD12,800/day in 2011, and recorded the highest daily TCE of USD105,000/day in 2008, with a difference of more than 7 times.

In China's coastal oil tanker transportation sector, in order to ensure security of national energy transportation and safety of coastal marine environment, China's current practice of transporting dangerous goods in bulk liquids along the coast is based on the idea of total quantity regulation and preferred selection. Compared with international oil transportation market, the supply of and demand for transportation capacity in the coastal oil transportation market are relatively balanced, characterised by a relatively stable market size and freight rates.

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Group holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As of 31 December 2019, the Group had a total of 38 jointly-invested LNG vessels, including 35 LNG vessels in operation with aggregate capacity of 5,900,000 cubic meters and 3 LNG vessels under construction with aggregate capacity of 522,000 cubic meters.

LNG is the abbreviation of Liquefied Natural Gas, which is formed by liquefaction of natural gas at an ultralow temperature (-163°C), and its volume is 1/625 of natural gas with the same mass. LNG can greatly save storage and transportation space. The LNG industrial chain involves massive funding and intensive technologies covering the entire supply chain of the natural gas industry. The natural gas extracted from onshore or offshore oil fields is pretreated and liquefied at liquefaction facilities. The LNG produced is transported by sea or by other means to the LNG receiving terminals for storage according to the trade contracts, and is then regasified and delivered to end users through pipelines. Currently, seaborne LNG transportation volume accounts for more than 80% of the world's LNG volume transported. The characteristics of the LNG transportation industry are as follows. Firstly, the LNG carriers have been recognized internationally as "three high" products with high technology, high difficulty and high value added, and are thus expensive. LNG transportation has higher requirements for ship management; therefore, the LNG shipping market is highly concentrated. Secondly, due to the closed loop of the LNG industrial chain, the majority of vessels among the global LNG fleet are bound to particular LNG projects (referred to as "project vessels"), the most of which involve long-term time charters with the project parties so that charter incomes and investment yields are often stable.

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

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

2. ANALYSIS OF THE INTERNATIONAL AND DOMESTIC SHIPPING MARKET DURING THE REPORTING PERIOD

(1) International oil shipping market

In 2019, global oil demand reached 100.15 million barrels per day, an increase of 850,000 barrels per day compared to 2018. Although the Organization of the Petroleum Exporting Countries ("**OPEC**") continued to execute the production cut agreement and the tension in the Middle East caused short-term disruption to some crude oil supply, the growth of US crude oil export was in line with expectation. In 2019, the average daily export volume of crude oil from the US was 2.97 million barrels per day, representing an increase of 1.01 million barrels per day or 51.6% as compared to 2018. The export volume to Asia increased significantly. Despite the mostly halted energy trade between China and the US, the export volume from the US to Japan and South Korea increased significantly, and the long-haul voyages boosted the tonne- nautical demand of tankers. In terms of tanker supply, due to the rapid rebound of market sentiment in 2019, the market saw active deliveries and rare demolition as older vessels were profitable; during the year 71 VLCCs were delivered, with approximately 21.17 million DWT and only 4 were demolished, with approximately 1.10 million DWT. In response to the sulfur limit effective from the beginning of 2020, about 552 oil tankers went through drydocking for scrubber installation during the year, which temporarily reduced the effective tanker supply and slowed down the supply growth to a certain extent. The international oil shipping market was greatly affected by geopolitical and economic events in 2019 with sharp fluctuations in freight rates. In 2019, the average TCE of the VLCC Middle East-China route ("**TD3C**") was US$39,387 per day, representing a year-on-year increase of 109%, and the TCE of other major routes increased by 77%-199% year-on-year.

(2) Domestic oil shipping market

In 2019, the domestic oil shipping market remained stable in general. The total volume of coastal crude oil shipping market was approximately 73 million tonnes, representing a year-on-year increase of approximately 3.6%, and the demand for coastal shipping of product oil also went up. In respect of offshore crude oil shipping, the decline in the productivity for the some early offshore oil fields, oil companies have been conducting maintenance and optimization of offshore facilities by oil companies in the past two years, resulting in a slight decrease in the production efficiency of offshore crude oil from 2018 to 2019. In 2019, China's refining and petrochemical capacity expanded by over 14 million tons, as more of the refining and petrochemical integration projects move into operation, the volumes of coastal transshipment and transportation of crude and product oil will be well supported.

(3) LNG Shipping Market

In 2019, there were 128 liquefaction trains in 20 LNG exporting countries, with an annual liquefaction capacity of 432 million tons. The global LNG trade volume reached 350 million tons, representing an increase of 11.3% as compared to 2018. Major exporting countries include Australia, Qatar, the United States and Russia, while Asia remains the major importer. However, due to the moderate winter temperature in 2019, LNG demand from countries such as China, Japan and South Korea fell short of expectation, so that LNG prices and spot freight rates were subdued. While time charter rates of long-term transportation contracts were mostly immune from market fluctuations. A total of 34 LNG carriers were delivered and put into operation in 2019. As at the end of 2019, the global LNG fleet reached 557, amounting to approximately 84 million cubic meters, an increase of 7.5% as compared to the end of 2018. The average age of vessels was 10.9 years. 87% of the vessels were less than 20 years old. Hence, the global LNG fleet was still distant from a scrapping peak.

3. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

During the Reporting Period, the Group realized a total transportation volume (excluding time charters) of 150.35 million tons, a decrease of 2.9% year-on-year. The transportation turnover (excluding time charters) was 440.78 billion ton-nautical miles, a decrease of 19.2% year-on-year; the revenues from principal operations was RMB13.721 billion, a year-on-year increase of 13.4%; the cost from principal operations was RMB11.125 billion, a year-on-year increase of 8.0%; gross profit margin increased by 4.1 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB414 million, representing a year-on-year increase of 454.2%; EBITDA was RMB5,295 million, representing an increase of 36.3% year on year.

In 2019, facing the complex external environment and dramatic fluctuations of the international oil shipping market, the Group mainly focused on the following aspects and achieved hard-earned operating results: firstly, consolidating its core business while exploring new opportunities, strengthening cooperation with major clients and proactively expanding into the international market, through developing new routes and new clients; secondly, carrying out accurate market analysis and optimizing the route layout, so as to improve the proportion of high yield VLCC routes; thirdly, exploring the incremental market demand and deepening the cooperation with private refineries, so as to consolidate the leading position in domestic oil shipping; and fourthly, steadily increasing the size of LNG carrier fleet, which secured stably growing profit for the Group.

(1) Revenue from Principal Operations

In 2019, overall details of the Group's principal operations in terms of cargoes and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Cargo	Revenues	Operating costs	Gross profit margin	Increase/(decrease) in revenue as compared with 2018	Increase/(decrease) in operating costs as compared with 2018	Increase/(decrease) in gross profit margin as compared with 2018
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic Crude oil	2,552,493	1,741,049	31.8	7.0	12.4	(3.3)
Domestic Refined oil	2,327,929	1,925,114	17.3	37.0	33.8	2.0
Domestic Vessel chartering	109,326	80,145	26.7	1.0	5.7	(3.3)
Domestic Oil Shipping Sub Total	4,989,748	3,746,308	24.9	19.0	22.3	(2.0)
International Crude oil	5,486,574	4,960,676	9.6	5.6	(5.1)	10.1
International Refined oil	856,947	876,072	(2.2)	19.4	13.7	5.2
International Vessel chartering	968,878	867,789	10.4	42.4	36.5	3.9
International Oil Shipping Sub Total	7,312,399	6,704,537	8.3	10.9	1.1	8.9
Oil Shipping Sub Total	12,302,147	10,450,844	15.0	14.0	7.8	4.9
International LNG Shipping	1,321,365	608,843	53.9	11.9	17.3	(2.1)
Domestic LPG Shipping	43,323	31,205	28.0	418.0	407.2	1.5
International LPG Shipping	54,301	34,134	37.1	(42.7)	(42.5)	(0.2)
Others	4	(4)	200.0	(100.0)	(100.0)	192.9
Total	13,721,140	11,125,022	18.9	13.4	8.0	4.1

Principal Operations by Geographical Regions

Regions	Revenues	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2018	Increase/ (decrease) in operating costs as compared with 2018	Increase/ (decrease) in gross profit margin as compared with 2018
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	5,033,071	3,777,513	24.9	19.8	23.1	(2.0)
International shipping	8,688,069	7,347,509	15.4	10.0	1.6	7.0
Total	13,721,140	11,125,022	18.9	13.4	8.0	4.1

Self-operated transportation volume and transportation volume turnover

Transportation volume	**2019**	2018	Increase/ (decrease)	**2019**	2018	Increase/ (decrease)
	('000 tons)	*('000 tons)*	*(%)*	***(billion tonne-nautical miles)***	*(billion tonne-nautical miles)*	*(%)*
Domestic Crude oil	**52,975.2**	51,211.9	3.4	**17.04**	15.78	8.0
Domestic Refined oil	**22,439.9**	16,701.7	34.4	**21.02**	15.10	39.2
Domestic Oil Shipping Sub Total	**75,415.2**	67,913.6	11.1	**38.07**	30.88	23.3
International Crude oil	**65,986.1**	78,130.3	(15.5)	**376.13**	486.09	(22.6)
International Refined oil	**8,592.0**	8,473.0	1.4	**26.37**	28.19	(6.5)
International Oil Shipping Sub Total	**74,578.1**	86,603.3	(13.9)	**402.50**	514.27	(21.7)
Oil Shipping Sub Total	**149,993.2**	154,516.9	(2.9)	**440.56**	545.15	(19.2)
LPG Shipping	**356.8**	319.0	11.8	**0.22**	0.22	1.8
Total:	**150,350.0**	154,835.9	(2.9)	**440.79**	545.37	(19.2)

(2) Shipping business – Oil and Gas Shipping

International oil shipment business:

In 2019, the Group seized the recovering trend of the international oil shipping market, recorded international oil shipping revenues of RMB7.312 billion, a year- on-year increase of 10.9%, a shipping gross profit of RMB608 million, a year-on-year increase of 644 million and gross profit margin of 8.3%, a year-on-year increase of 8.9 percentage points.

(1) Accurate market analysis and route layout optimization secured a significant year-on-year improvement in operating revenue. During the Reporting Period, the Group performed in-depth analysis on the international oil shipping market, reasonably arranged the combination of long-haul and short-haul routes in order to enhance the overall profitability of the fleet. In 2019, the operating days of the VLCC fleet in triangular route increased by 10.5% as compared to the same period of last year.

(2) Actively developed the international market and served the world. The Group actively globalized its businesses and cooperated with a number of first-time customers in Europe and the United States, to further internationalize and diversify the customer and business networks. The overseas subsidiaries of the Group achieved remarkable results in business development. In 2019, the UK branch completed 21 shipments in total, of which the cargo volume of routes other than TD3C accounted for approximately 76.2%; the U.S. branch completed 13 shipments in total, among which the cargo volume of long-haul routes such as the triangular routes, the US Gulf/Caribbean-Far East and Brazil-Far East accounted for approximately 69.2%.

(3) Actively responded to the 2020 global sulfur limit by International Maritime Organization and promoted the sustainable development of the industry. Currently, all oil tankers of the Group use low-sulfur fuel to meet the sulfur limit. The Group employed the economies of scale from the centralized procurement by COSCO Shipping Group to ensure sufficient supply of low-sulfur fuel, and seized the opportunity of market fluctuation to secure low-sulfur fuel oil at fixed pricing in two batches, which effectively kept the fuel cost in control. In addition, the Group cooperated with Dalian Shipbuilding Industry Company Limited to develop the world's first LNG dual-fuel VLCC in compliance with EEDI PHASE III (phase III of ship energy efficiency design index), exploring sustainable development of business operations and the environment and society.

Domestic oil shipping business:

During the Reporting Period, the Group recorded domestic oil shipping revenue of RMB4.99 billion, a year-on-year increase of 19.0%; shipping gross profit of RMB1.243 billion, a year-on-year increase of 10.1%; and gross profit margin of 24.9%, a year- on-year decrease of 2.0 percentage points.

(1) Expanded into the incremental market and facilitate the large-scale integrated development of refineries. During the Reporting Period, the Group captured the oil transshipping market, developed the bonded fuel business, recruited a number of new domestic customers and achieved a percentage of COA cargo volume in domestic oil shipping of over 90%. During the year, the Group facilitated the opening of Panjin deep-water channel where a large tanker successfully berthed to meet the needs of large-scale and integrated independent refineries and allow key customers to improve logistics efficiency.

(2) Leveraged the advantages of the new structure to enhance the overall efficiency of the fleet. In 2019, the Group redesigned the organizational structure, set up the Tanker Department to operate oil tanker types other than VLCC and Suezmax, closely monitored both the domestic and international trade markets, actively coordinated internal and external resources, and allocated domestic and foreign trade tankers based on the principle of maximizing overall efficiency. In 2019, the Group performed 21 shipments with domestically and internationally connected tanker services, representing a year-on-year increase of 10 shipments.

(3) Realized synergy and built core competitiveness in domestic product oil transportation. In 2019, the Group used COSCO PetroChina SHIPPING as a product oil transportation platform to consolidate its internal product oil transportation resources and strengthen its leading position in this market. The Group integrated resources to increase the shipping volume of larger tankers by more than 5 times. During the Reporting Period, the Group recorded domestic trade product oil transportation income of RMB2.328 billion, representing a year-on-year increase of 37.0%, and COSCO PetroChina SHIPPING recorded a net profit of RMB147.63 million, representing a year-on-year increase of 37.7%.

LNG shipping business:

During the Reporting Period, the Group recorded LNG shipping revenue of RMB1.321 billion, a year-on-year increase of 11.9%; shipping gross profit of RMB713 million, a year-on-year increase of 7.7%; and gross profit margin of 53.9%, a year-on-year decrease of 2.1 percentage points, and the investment income from the LNG shipping segment amounted to RMB448 million, representing a year-on-year increase of 83.23%; profit before tax amounted to RMB603 million, representing a year-on-year increase of 47.61%.

(1) The management system was recognized by authorities, and the international competitiveness continued to improve. In June 2019, Shanghai LNG, a subsidiary of the Group, passed the certification of Lloyd's Shipping Register and obtained the first certificate for quality, health, safety and environment (QHSE) management system in China's LNG shipping industry, which was aligned with the three international standards of ISO9001, 14001 and 45001. The accomplishment of the authoritative certification for the management system strengthened the Group's position as a leader in China's LNG shipping business and enhanced the Group's competitiveness in participating in international LNG shipping.

(2) The size of LNG fleet continued to expand with the "secondary development curve" pedalled on pace. In 2019, the Group's LNG shipping business expanded steadily. During the year, a total of 9 vessels with 1.55 million cubic meters in which the Group invested were put into operation. As at the end of 2019, a total of 35 vessels with 5.90 million cubic meters the Group invested in were put into operation. The Group has recognized the transportation of clean energy as the second development curve, and will seize market opportunities, give full play to competitive advantages and promote the development of potential LNG shipping projects.

4. COSTS AND EXPENSES ANALYSIS

In 2019, the Group's cost from principal operations was approximately RMB11.125 billion, with a year-on-year increase of 8.0%:

The cost composition of the Group's principal operations for 2019 is as follows:

Item	2019	2018	Increase/ (decrease)	Composition in 2019
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*
Continuing operations				
Fuel costs	**3,174,443**	3,238,972	(2.0)	28.5
Port costs	**759,942**	761,784	(0.2)	6.8
Sea crew cost	**1,633,565**	1,421,538	14.9	14.7
Lubricants expenses	**258,534**	248,159	4.2	2.3
Depreciation	**2,787,199**	2,129,702	30.9	25.1
Insurance expenses	**176,435**	168,064	5.0	1.6
Repair expenses	**523,634**	305,787	71.2	4.7
Charter cost	**1,214,272**	1,583,991	(23.3)	10.9
Others	**596,999**	446,077	33.8	5.4
Total	**11,125,022**	10,304,074	8.0	100.0

The Group strictly adopted cost control practices and maximized the benefits from the synergy effect of bulk procurement. In 2019 with the international oil shipping market rebound, the Group actively sought cargoes and reasonably raised voyage speeds, which caused a 11.7% year-on-year increase on unit bunker fuel consumption. The Company applied an efficiency optimization model in managing the voyage speeds and achieved the savings of 112.2 thousand tons of bunker fuels. The average purchase prices of international and domestic trade bunker fuels (low-sulfur fuel) of the Group were lower than the average of market quotes by USD16 per ton and RMB205 per ton respectively.

During the Reporting Period, the Group's vessels in drydock increased by over 60% year-on- year. Due to the aging of vessels and the sulfur cap, spare parts replacement and drydocking programs increased and the expenses per drydocking vessel increased accordingly. Facing the rising demand for drydocking, the Group actively communicated with shipyards to strictly control the non-operating period in arranging drydocking schedules, which saved over a hundred days and improved the fleet operating efficiency.

In continuous collaboration with COSCO SHIPPING Group, the Group signed preferential agreements with major domestic ports. While emphasizing navigation safety, the Group strictly controlled port charges by strengthening operational capabilities, such as self-docking and self-berthing, and achieved cost saving and control.

In addition, during the Reporting Period, the Group adopted the new lease accounting standard, so that the right-of-use lease assets (ships) expanded by approximately RMB2.33 billion, giving rise to an increase of RMB519 million in ship depreciation expenses (and an approximate RMB650 million decrease in chartering costs); expansion in tanker and LNG carrier fleet brought up depreciation expenses by approximately RMB130 million year-on-year.

5. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

(1) The operating results achieved by the major joint venture of the Group in 2019 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%	54.68	1,214,262	841,838

(2) The operating results achieved by an associate of the Group in 2019 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%	14.00	1,517,250	492,042

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 RMB5,230,362,000, representing an increase of approximately 142.59% as compared to approximately RMB2,156,032,000 for the year ended 31 December 2018.

(2) Capital commitments

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
Authorized and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,156,464**	6,446,633
Project investments	*(ii)*	**–**	179,130
		6,156,464	6,625,763

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2020 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 RMB246,703,000 (31 December 2018: nil). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,516,348,000 (31 December 2018: RMB2,565,694,000).

(3) Capital structure

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

The Group's net debt-to-equity ratio as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Total debts	**29,506,535**	30,989,715
Less: cash and cash equivalents	**(3,919,500)**	(3,467,924)
Net debt	**25,587,035**	27,521,791
Total equity	**29,167,606**	29,272,198
Net debt-to-equity ratio	**88%**	94%

As at 31 December 2019, the balance of cash and cash equivalents amounted to RMB3,919,500,000, representing an increase of RMB451,576,000 and by 13% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2019, the Group's net gearing ratio (i.e. net debts over total equity) was 88%, which was lower than 94% as at 31 December 2018. The decrease was primarily due to the decrease in borrowings during the Reporting Period.

(4) Trade and bills receivables and contract assets

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade and bills receivables from third parties	**764,870**	606,607
Trade receivables from a joint venture	**132**	–
Trade receivables from fellow subsidiaries	**7,910**	10,077
Trade receivables from related companies (note)	**197,331**	165,588
	970,243	782,272
Less: allowance for doubtful debts	**(32,561)**	(30,162)
	937,682	752,110
Current contract assets relating to oil shipment contracts	**473,262**	1,062,112
Less: allowance	**(3,648)**	(4,644)
Total contract assets	**469,614**	1,057,468

Note: Related companies are entities that the fellow subsidiaries of the Company either have joint control or significant influence.

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 2019, trade and bills receivable and contract assets of RMB706,628,000 (31 December 2018: RMB1,148,022,000) are denominated in USD.

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 3 months	**619,775**	456,023
4 – 6 months	**124,636**	84,309
7 – 9 months	**68,726**	52,735
10 – 12 months	**47,863**	54,197
1 – 2 years	**63,443**	82,261
Over 2 years	**13,239**	22,585
	937,682	752,110

(5) Trade and bills payables

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade and bills payables to third parties	**1,204,403**	954,860
Trade payables to fellow subsidiaries	**699,865**	468,505
Trade payables to an associate	**5,860**	6,481
Trade payables to related companies *(note)*	**12,185**	24,590
	1,922,313	1,454,436

Note: Related companies are entities the fellow subsidiaries of the Company either have joint control or significant influence.

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

As at 31 December 2019, trade and bills payables of RMB728,198,000 (31 December 2018: RMB193,532,000) 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 2019	31 December 2018
	RMB'000	*RMB'000*
Within 3 months	**1,239,218**	1,042,210
4 – 6 months	**276,028**	107,812
7 – 9 months	**51,804**	29,829
10 – 12 months	**68,396**	41,830
1 – 2 years	**69,741**	223,758
Over 2 years	**217,126**	8,997
	1,922,313	1,454,436

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

(6) Derivative financial instruments

As at 31 December 2019, the Group had interest rate swap agreements with total notional principal amount of approximately USD546,631,000 (equivalent to RMB3,813,407,000) (31 December 2018: approximately USD564,773,000 (equivalent to RMB3,939,969,000)) which will mature in 2031, 2032 and 2033, respectively (31 December 2018: 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 2018: 3-month LIBOR plus 2.20%).

(7) Interest-bearing bank and other borrowings

	31 December 2019 RMB'000	31 December 2018 RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	**1,298,978**	1,302,590
Unsecured	**5,022,864**	4,361,564
	6,321,842	5,664,154
(ii) Other borrowings		
Unsecured	**2,233,000**	1,372,410
Interest-bearing bank and other borrowings – current portion	**8,554,842**	7,036,564
Non-current liabilities		
(i) Bank borrowings		
Secured	**15,124,697**	15,865,245
Unsecured	**2,057,979**	2,745,280
	17,182,676	18,610,525
(ii) Other borrowings		
Unsecured	**142,850**	175,850
Interest-bearing bank and other borrowings – non-current portion	**17,325,526**	18,786,375

As at 31 December 2019, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2018: 44) vessels with total net carrying amount of RMB25,869,196,000 (31 December 2018: RMB25,528,346,000).

As at 31 December 2019, secured bank borrowings of RMB16,274,975,000 (31 December 2018: RMB16,991,135,000) and unsecured bank borrowings of RMB7,080,843,000 (31 December 2018: RMB7,106,844,000) are denominated in USD.

(8) Bonds payable

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
At the beginning of the year	**3,989,691**	3,985,777
Interest charge	**3,786**	3,914
Less: principal repayment	**(1,500,000)**	–
	2,493,477	3,989,691
Less: current portion	**–**	(1,498,439)
Non-current portion	**2,493,477**	2,491,252

(9) Contingent liabilities

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

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

On 15 July 2011, the Company entered into four guaranteed leases (the "**Lease Guarantees**"). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the Four Associates with guarantee (1) for the Four Associates to 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 Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB57,205,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

(ii) At the 2014 seventh the board of directors (the "**Board**") meeting ("**Board meeting**") of the Company, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Group for the Yamal LNG project (the "**Three Joint Ventures**"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited for the Three Joint Ventures, and provides owner's guarantees to the charterer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively.

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was 0. And the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB44,648,000).

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to RMB2,633,516,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single-vessel Companies with the amount of Euro4.5 million (equivalent to approximately RMB35,170,000). The guarantee period is limited to the lease period.

(10) Foreign exchange risk management

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

As at 31 December 2019, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the Reporting Period would have been RMB23,287,000 higher/lower (31 December 2018: RMB3,907,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables, payables and borrowings.

(11) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2019 and 31 December 2018.

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 2019, 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 RMB109,969,000 lower/higher (31 December 2018: RMB122,576,000 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 2019, the Group achieved further fleet expansion.

In 2019, the cash outflow from investment activities of the Group, including the payments for construction and purchase of new vessels, vessel reconstruction and capital increases (in terms of equity investment and loans) into associates and joint ventures of the Group, was approximately RMB1.422 billion including capital expenditure of approximately RMB1.086 billion paid for the construction and purchase of new vessels.

In terms of fleet expansion, 1 new oil tanker with a total capacity of approximately 114,000 DWT and 9 new jointly-invested LNG vessels with total capacity of approximately 1,550,000 cubic meters were delivered for use in 2019.

On December 31, 2019, the specific composition of the Group's fleet is as follows:

	Vessels in operation			Vessels under construction	
	Number	DWT/cubic meters (0000)	Average age	Number	DWT/cubic meters (0000)
Holding subsidiaries of the Group					
Oil tanker	142	1,925	9.6	17	304.4
LPG carrier	5	1	12.8		
LNG carrier	6	105	2.4		
Sub-total	**153**	**1,926/105**	**9.4**	**17**	**304.4**
Long-term charter-in					
Oil tanker	9	246	10.4		
Sub-total	**9**	**246**	**10.4**		
Joint ventures					
Oil tanker	10	62	10.9	3	19.5
LNG carrier	29	485	3.5	3	52.2
Sub-total	**39**	**62/485**	**5.4**	**6**	**19.5/52.2**
Total	**201**	**2,234/590**	**8.7**	**23**	**323.9/52.2**

8. OUTLOOK AND HIGHLIGHTS FOR 2020

(1) Competitive landscape and trends in the industry

International oil shipping market

The demand for international oil shipping is closely related to economic growth and oil supply and demand. At present, the global economy and oil consumption demand are facing challenges due to the COVID-19 outbreak, which is expected to impose negative impact on the global economy and oil consumption. Affected by the sluggish oil demand, the breakdown of negotiation for further output reduction among major oil-producing countries led to a significant increase in oil production. The competition among oil-producing countries has strongly suppressed oil prices, and has also opened up the demand for oil storage in major importers, driving up tanker freight rates. Provided that the major oil-producing countries continue to increase production, the international oil shipping market might see the tanker demand propelled by the increase in cargo volumes in the following period. If oil supply continues to exceed consumption, crude oil inventories are expected to increase; when oil prices restore to a higher level, the oil trade might experience the “de-stocking” phase, which is likely to temporarily weaken the transportation demand.

In the long run, as the global population continues to grow, the economy is expected to stay resilient and the demand for energy consumption will be supported. The non- OECD (Organisation for Economic Co-operation and Development) countries will continue to play the crucial role of driving global economic growth and energy demand growth. In January 2020, the signing of the Phase One trade agreement between China and the US would potentially facilitate energy trade growth, which would probably support the tonne-nautical mile demand in the tanker market.

In terms of tanker supply, the global tanker orderbook is growing at a rational pace, and the delivery of new vessels is expected to slow down significantly in the next two years. Meanwhile, the proportion of older crude tankers remains at a historical high. As at the end of 2019, global VLCCs aged more than 15 years represented approximately 23% of its kind. With the aging of vessels and the deterioration of vessel conditions, potential for demolition remains. Therefore, there is a greater certainty in the deceleration of the net growth in tanker supply.

Despite the temporary suppression of oil consumption caused by the COVID-19 outbreak and the possible increase in volatility of international tanker freight rates resulted from geopolitical incidents, the international oil shipping market is still witnessing the improving supply-demand dynamics.

Domestic oil shipping market

In recent years, the refining and chemical industry in China has undergone significant changes, including elimination of inefficient plants and the strengthening of regulation, resulting in a growing scale of quality and efficient refineries. With further expansion of the refining and petrochemical integration projects, China's refining and petrochemical capacity will be significantly increased, which will fuel the demand for transshipment of imported crude oil and export of refined oil especially supporting the demand for tankers of higher tonnage. With the maintenance and optimization of domestic offshore oil producing platforms and the development of new oil rig projects in the past two years, the output and transportation volume of offshore oil are expected to increase. In terms of crude oil transportation, changes in the transportation volume of pipeline oil will be limited, and that of offshore oil and transshipment oil is generally stable; in terms of product oil transportation, both domestic and international trade transportation volume will benefit from the optimization of refining capacity. In the short term, the COVID-19 outbreak will still have a negative impact on the refinery run rates and domestic demand for oil transportation, but the long-term trend of the domestic crude oil and refined oil transportation market will remain stable and positive.

LNG shipping

The global LNG trade volume is expected to continue its upward trend, with Asia remaining as the main LNG importer and the US shale gas as the key supply driver. As of the end of 2019, the global liquefaction capacity was approximately 432 million tons per annum and is projected to reach nearly 741 million tons per annum by 2024, including the expected increase in production capacity in the United States, Russia and Qatar. China's green development policy will also continue to promote its expansion of LNG imports, and infrastructure construction such as LNG regasification terminals will also provide potential for import growth. However, with the expected slowdown of China's economic growth, China's LNG import growth curve might move along a softer gradient.

In terms of LNG fleet, as at the end of 2019, the world market had 133 LNG carriers under construction (excluding LNG bunkering vessels and LNG floating storage vessels). It is expected that from 2019 to 2024, the global LNG fleet will grow at an average rate of 7.1%, which may lead to a certain level of oversupply in the short term. However, approximately 86% of new LNG carriers will be absorbed by the long-term contracts. Compared with the expected liquefaction capacity growth in the world, LNG vessel supply might still be insufficient in the long run, so that the LNG fleet market and freight rates would be well supported.

(2) **Development strategies of the Company**

At the start of a new journey, the Group adheres to the vision of "excellent leader in global energy transportation" and the strategic goal of the "four global leading", and encourages diligence and a long-term strategic view to fulfill the mission and responsibilities of national energy transportation. The Group will continue to adopt lean management, upgrade management philosophy and methodologies, and effectively improve corporate management; increase the proportion of LNG transportation business, accelerate the growth of the "second development curve" and construct greater competitive advantages in the future; elevate the role of overseas outlets and further realize globalization, focus on high-quality development, improve profitability and enhance corporate value.

(3) **Operational plans**

In 2020, the Group expects to have 11 oil tankers delivered, with 1.84 million DWT, and 3 LNG vessels, totalling 522,000 cubic meters (including joint ventures and associates). It is expected that there will be 162 oil tankers in operation during the year, totalling 23.55 million DWT, and 38 LNG vessels, totalling 6.422 million cubic meters (including joint ventures, associates and long-term chartered-in vessels).

According to the conditions of the domestic and international shipping market in 2020, combined with the Group's fleet expansion, the main operating targets of the Group in 2020 are as follows: completing a transportation volume of 549.5 billion tonne-nautical miles, generating an expected operating income of RMB15.5 billion and incurring operating costs of RMB13.0 billion.

(4) **Work initiatives of the Company**

In the face of the unexpected COVID-19 outbreak, the Group took multiple preventive measures and resumed operation in an orderly manner. In 2020, the Group will firmly adhere to the corporate vision of being an "excellent leader in global energy transportation" with the strategic goal of "four global leading" and comprehensively enhance corporate value through high-quality development. We will focus on the following tasks:

Firstly, build up and enhance globalised cooperation and development. The Company will accelerate the construction of the VLCC pool, launch and operate the pool as soon as possible, and strive to facilitate cooperation with world-class shipping companies in VLCC operation. Besides, the Company will further optimize the combination of shipping routes and customer composition, increase the proportion of tankers on shipping routes across Europe and the Americas; adjust the proportion of long and short voyages with flexibility and capture the market cycle to create value from fluctuations.

Secondly, expand the incremental market and continue to lead the domestic oil transportation market. The Group will leverage the advantages of fleet size and service level to enhance reliability and customer satisfaction, and strengthen good cooperation with major customers. The Group will track the progress of refining and petrochemical integration projects, develop new customers, increase domestic market share, and consolidate the leading position in domestic crude oil and refined oil transportation.

Thirdly, facilitate the LNG shipping projects towards accomplishment enhance LNG ship management competence. The Group will further expand and strengthen the LNG transportation segment, seize the changes in the external environment, promote project accomplishment, and continue to work closely with strategic partners for opportunities to participate in high-quality projects. At the same time, the Group will speed up the construction of its own LNG ship management company mainly focusing on project ship management, cultivate a high-quality LNG shipping talent team, enhance independent LNG ship management capabilities, and promote the “second development curve”.

Fourthly, further strengthen cost control and implement lean management. We will make full use of the fleet size to explore the advantages of centralized procurement. The Company will closely monitor and study the fuel market, strengthen research and analysis, and properly carry out fuel procurement. The Company will review and improve the management process and measures for the use of low sulfur fuel oil, formulate a refined management mechanism for fuel consumption and efficiency of vessels.

Fifthly, continue to strengthen safety management under the guidance of the “global leading safety marketing” strategy. The Company will pay more attention to safety work at the base level, enhance management and elevate standards, strengthen the pre-control management and process control, and continue to optimize the “three-in- one” safety management model and the “united high-level” fleet management system.

Sixthly, build a highly qualified talent team. The Company will continue to empower all kinds of talents with the “5 + N” precise training, invite international partners to engage in communications and implement overseas talent training programs to cultivate international operation and management talents. The Company adheres to the combination of internal training and market-oriented recruitment to promote the value of human capital of the Company.

Seventhly, improve information technology management and construct the digital platform for energy industry. The Company actively adapts to the needs of information society development, strengthens the idea of “promoting reform through digitalization”, and upgrade corporate management through digital transformation. The Company will increase the budget for information construction, and strive to achieve the implementation of digital energy planning.

Eighthly, focus on environmental, social and governance (“**ESG**”) practice and promote sustainable development. The Company will introduce public interests into our value system, establish the ESG cognition framework, and promote sustainable development of the Company by focusing on the values and behaviors in the development of the Company, so as to jointly enhance the corporate value and social value.

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 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. And 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 of operation and to protect legitimate rights and interests of the Company and all shareholders.

In 2019, in order to comply with the continuously updated listing supervision rules in the Mainland and Hong Kong, the Company approved the revision of 15 corporate governance regulations including the "Independent Director Work System", the establishment of a risk control committee and formulated the "Implementation Rules of the Risk Control Committee of the Board". Upon the recommendation of the Board and the Board of Supervisors, the Company's general meeting of shareholders approved the amendments to the Articles of Association, the Rules and Procedures of Shareholders' General Meetings, the Rules and Procedures of Meetings of the Board of Directors and the Rules and Procedures of Meetings of the Supervisory Committee. During the year, a total of 20 regulations were formulated or revised. Corporate governance of the Company was improved and so did the Company's reputation both at home and abroad.

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. SITUATION OF INTERNAL CONTROL AND RISK MANAGEMENT

1. DEVELOPMENT

The Company has been committed to the perfection and improvement of its internal control and risk management 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 and risk management; the Supervisory Committee supervises the establishment and implementation of an internal control and risk management system by the Board; the 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 and risk management by internal organs of the Company.

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, the Company 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.

In 2019, based on the conditions of the deepening reforms, the Company built a "trinity" risk control system involving institution, internal control and compliance, working together with the comprehensive management system of the Company to enhance immune capability. During the year, 46 administrative and 19 Party rules and regulations were added and revised; the internal control system was further improved; and the risk prevention and control system was established. Meanwhile, the Company also promoted the construction of the rules and regulations of its subsidiaries and affiliates, provided suggestions for the improvement of the rules and regulations of Shanghai LNG, COSCO PetroChina SHIPPING, and Shenzhen Sanding Oil-Shipping Co., Limited. The Company's risk management level was further improved.

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 2019, four 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 2019

In 2019, according to the requirements of comprehensive risk management, the Company further strengthened the construction of rules and regulations as well as internal control system, enhanced risk management and control, and comprehensively improved its risk management capabilities. Firstly, promote the rules and regulations as planned at headquarters. In line with the transformation of the management and control pattern after the Company's reform, a redesign of the Company's rules and regulations system at the top level has been completed. 20 rules and regulations have been revised or added during the year. Secondly, promote the rules and regulations of selected subsidiaries and affiliates. In 2019, in order to prevent shareholder risks, the Company selected three important subsidiaries, Shanghai LNG, COSCO PetroChina SHIPPING, and Shenzhen Sanding Oil-Shipping Co., Limited. to carry out the construction of rules and regulations. Thirdly, with the goal of ensuring double "landing", the Company re-improved the top-level design of the internal control system, and the new version of the risk control manual was officially implemented in order to meet the requirements of the compatibility and continuous improvement of the risk control system. Fourth, further enhance compliance management. Combined with the internal and external situation and its business characteristics, the Company, starting from compliance risks in key areas, established the compliance management system. In the first half of 2019, the Company's international compliance management system was established, and an international compliance law and regulation database covering many countries was set up; a dynamic compliance tracking and early warning mechanism was established to interpret relevant policies, analyze risks, and issue compliance notice in a timely manner; a long-term and efficient management and control mechanisms for compliance risk differentiation management and control, risk investigation, compliance audit, risk assessment, special training and audit was built. Meanwhile, the Supervision and Audit department has drawn on the experience of comprehensive risk management and formulated the "Anti-Commercial Bribery Management Measures", "Anti-Commercial Bribery Manual", and "Vessel Corruption Risk Prevention and Control Manual".

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, COSCO SHIPPING, 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.

The Company evaluates the remuneration level of employees based on operating revenue, profitability and safety management, and revises and improves the current salary system by further optimizing the remuneration distribution system combining post wages and performance wages. Wage items include post wages, monthly performance salary, years of service wages and complementary wages, etc. 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, performance wages reflect the difference in labour contribution and complementary wages reflect the special treatment of the nation.

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. No share option was granted by the Company in 2019.

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 10 June 2019 ("**2019 AGM**") was presided by Mr. Liu Hanbo (executive Director and chairman of the Board). In addition, Mr. Zhu Maijin (executive Director), and Mr. Ruan Yongping (independent non-executive Director and chairman of the Audit Committee) attended the 2019 AGM and answered Shareholders' questions related to corporate governance of the Company.

As provided for in code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Feng Boming, Mr. Zhang Wei, and Ms. Lin Honghua, each a non-executive director, and Mr. Ip Sing Chi, Mr. Teo Siong Seng, each an independent non-executive Director, were unable to attend the 2019 AGM due to prior commitments. In addition to the 2019 AGM, Mr. Feng Boming, Mr. Zhang Wei, and Ms. Lin Honghua, each a non-executive director, and Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, each an independent non-executive Director were unable to attend the first extraordinary general meeting held on 26 July 2019 and the second extraordinary general meeting held on 17 December 2019 due to prior commitments.

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

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 2019, 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 2019 AGM, 9 resolutions were passed, among which the Report of the Directors for 2018, the Report of Supervisory Committee for 2018, the profit distribution plan for 2018, the remuneration domestic and proposal of the Directors and the Company's supervisors (the "**Supervisors**") for 2019, and the re-appointment of domestic and international auditors of the Company for 2019 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 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)	(Resigned on 23 April 2019[1])
Mr. Liu Hanbo (劉漢波)	
Mr. Zhu Maijin(朱邁進)	(Appointed on 10 June 2019[2])
Mr. Lu Junshan (陸俊山)	(Retired on 10 June 2019[3])

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. Ruan Yongping (阮永平)
Mr. Ip Sing Chi (葉承智)
Mr. Rui Meng (芮萌)
Mr. Teo Siong Seng (張松聲)

Notes:

1. Mr. Huang Xiaowen (黃小文) has tendered his resignation as an executive Director due to a change in work allocation, with effect from 23 April 2019 as announced on the third Board meeting of the Company dated on 23 April 2019.

2. At the 2019 AGM, the appointment of Mr. Zhu Maijin (朱邁進) as an executive Director was duly approved by Shareholders and took effect immediately after the conclusion of the 2019 AGM.

3. Mr. Lu Junshan (陸俊山) had retired as an executive Director as he has reached the age of retirement, and was succeeded by Mr. Zhu after the conclusion of the 2019 AGM.

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 228 to 236 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 (the "**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 2019, the Company had four independent non-executive Directors exceeding one-third of the total number of 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 with the Articles and the relevant requirements under the applicable laws and regulations.

In 2019, 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 substantial 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 during the Reporting Period.

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)	(Resigned on 23 April 2019)	2/2	0/0
Mr. Liu Hanbo (劉漢波) (Chairman)		12/12	3/3
Mr. Zhu Maijin (朱邁進) (CEO)	(Appointed on 10 June 2019)	6/6	2/2
Mr. Lu Junshan (陸俊山)	(Retired on 10 June 2019)	6/6	1/1
Non-executive Directors:			
Mr. Feng Boming (馮波鳴)		12/12	0/3
Mr. Zhang Wei (張煒)		12/12	0/3
Ms. Lin Honghua (林紅華)		12/12	0/3
Independent non-executive Directors:			
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 2019: (1) Mr. Feng Boming appointed Mr. Liu Hanbo to attend 1 Board meeting; (2) Mr. Zhang Wei appointed Mr. Liu Hanbo 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. Liu Hanbo 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. Zhu Maijin, 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 five professional committees under the Board, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee, the Nomination Committee and the Risk Control Committee.

(1) Audit Committee

The Audit Committee comprised 3 independent non-executive Directors as at 31 December 2019 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 2019, the Audit Committee held 4 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)	4/4
Mr. Rui Meng (芮萌)	4/4
Mr. Teo Siong Seng (張松聲)	4/4

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 2018, appraisal report of the Company's internal control for 2018, the appointment of the Company's domestic and international auditors for 2019 and the interim report of the Company for 2019, and formed the written opinions of the Audit Committee in respect of the Company's annual report for 2018, the draft profit distribution plan for 2018 and the interim report of the Company for 2019.

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 2019, 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 2019, the Remuneration and Appraisal Committee held one meeting, 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 2018. The Company's remuneration policy for 2018 is based on the market practice, the operating results achieved by the Company and the qualification, duties and responsibilities of Directors and senior management.

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)	1/1
Mr. Ruan Yongping (阮永平)	1/1
Mr. Rui Meng (芮萌)	1/1
Mr. Teo Siong Seng (張松聲)	1/1

(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 8 Directors, including 2 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. Mr. Liu Hanbo 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 2019, the Strategy Committee held one meeting, reviewing the proposal on "the 'new cycle, new starting point, new strategy' action plan" 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. Liu Hanbo (劉漢波) (Chairman)	1/1
Mr. Zhu Maijin (朱邁進)	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 2019, the committee convened one meeting to consider the "proposal on replacement of an Executive Director" and the "proposal on appointment of a Senior Management of the Company"

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

(5) Risk Control Committee

In order to effectively to promote the rule of law of listed companies as required by supervisory agencies at home and abroad, an to give full play of the functions of special committees of the Board in the rule of law and risk control management, in 2019, the Company's Board approved the establishment of a risk control committee. The Risk Control Committee consists of three directors, two of whom are independent non-executive Directors, and the chairman of the committee is Mr. Liu Hanbo.

In 2019, no meeting was convened by the committee.

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 2019. 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 2019.

Reappointment of Auditors

By a resolution passed at the annual general meeting of the Company held on 10 June 2019, the Company has reappointed ShineWing Certified Public Accountants LLP ("**ShineWing**") as its domestic auditor, and PricewaterhouseCoopers as its international auditor, 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.

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 reappointed ShineWing as the 2019 domestic audit institution, and reappointed PricewaterhouseCoopers as the overseas audit institution. The review/audit scope was basically consistent with that of 2018. The 2019 AGM approved ShineWing's 2019 annual review/audit expenses of RMB2.90 million, and PricewaterhouseCoopers of RMB3.50 million. The total cost was RMB6.40 million (including tax and travel expenses).

Besides, the Group paid Pricewaterhouse Coopers non-audit fee RMB349,000 in 2019.

Internal Control and Risk Management

The Board is responsible for maintaining an adequate system of internal control and risk management and reviewing its effectiveness. The internal control and risk management 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. Further, the internal control and risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss.

During the year, the Audit Committee, as delegated by the Board, has reviewed the adequacy and effectiveness of the Group's internal controls, risk management 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 (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") 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

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.

A summary of training received by the Directors since 1 January 2019 up to 31 December 2019 is as follows:

Name	Programme
Executive Directors:	
Mr. Liu Hanbo (劉漢波) (Chairman)	A, B
Mr. Zhu Maijin (朱邁進) (Chief Executive Officer)	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
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 training concerning related party transactions and guarantees held by Grandall Law Firm

B: attending training of Environment, Social responsibility and Corporate Governance held GoldenBee CSR Consulting

In 2019, 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 2019 were:

Mr. Weng Yi (翁羿) (Chairman)
Mr. Yang Lei (楊磊)
Mr. Xu Yifei (徐一飛) (Representative of the employees)
Ms. An Zhijuan (安志娟) (Representative 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 2019, the Supervisory Committee convened 5 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 2019, the Supervisory Committee has complied with the principle of credibility 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				
	2019	2018	2017	2016	2015
			(Restated)		
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**13,721,140**	12,099,685	9,504,935	9,808,889	10,709,298
Operating costs	**(11,125,022)**	(10,304,074)	(7,251,227)	(7,059,385)	(7,505,633)
Gross profit	**2,596,118**	1,795,611	2,253,708	2,749,504	3,203,665
Other income and net gains	**146,480**	221,919	878,734	14,727	1,004,508
Marketing expenses	**(49,296)**	(22,805)	(29,206)	(14,697)	(15,055)
Administrative expenses	**(876,990)**	(748,155)	(633,986)	(707,835)	(498,083)
Net impairment (losses)/gains on financial and contract assets	**(3,208)**	(22,183)	–	–	–
Other expenses	**(106,381)**	(31,761)	(53,781)	(65,858)	(55,731)
Share of profits of associates	**287,807**	276,245	266,902	268,099	215,932
Share of profits of joint ventures	**427,085**	231,906	151,591	163,807	223,506
Finance costs	**(1,419,627)**	(1,287,714)	(778,949)	(874,374)	(1,056,665)
Profit before tax	**1,001,988**	413,063	2,055,013	1,533,373	3,022,077
Income tax expense	**(330,384)**	(119,657)	(161,644)	(323,047)	(237,122)
Profit for the year from continuing operations	**671,604**	293,406	1,893,369	1,210,326	2,784,955
Discontinued operation					
Profit/(loss) for the year from discontinued operation, net of tax	**–**	–	–	760,501	(1,527,222)
Profit for the year	**671,604**	293,406	1,893,369	1,970,827	1,257,733
Profit for the year attributable to:					
Owners of the Company	**413,857**	74,679	1,774,648	1,932,524	1,180,921
Non-controlling interests	**257,747**	218,727	118,721	38,303	76,812
	671,604	293,406	1,893,369	1,970,827	1,257,733
			(Restated)		
Earnings per share	**RMB cents**	RMB cents	RMB cents	RMB cents	RMB cents
Basic and diluted	**10.26**	1.85	44.01	47.93	29.70

	At 31 December				
	2019	2018	2017	2016	2015
			(Restated)		
Assets, liabilities and non-controlling interests	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**65,841,861**	63,416,267	60,388,872	58,309,476	85,925,448
Total liabilities and non-controlling interests	**(37,717,126)**	(35,224,647)	(32,465,629)	(30,896,387)	(54,218,230)
Equity attributable to owners of the Company	**28,124,735**	28,191,620	27,923,243	27,413,089	31,707,218

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 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, the consolidated results of the Group for the years ended 31 December 2017 are extracted from the Company's 2018 annual report, while those for the years ended 31 December 2019 and 2018 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 102 and 103 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2015 and 31 December 2016 were extracted from the Company's 2017 annual report, and those as at 31 December 2017 were extracted from the Company's 2018 annual report, while those as at 31 December 2019 and 2018 were prepared based on the consolidated statement of financial position as set out on pages 104, 105 and 106 of the consolidated financial statements.

3. The calculation of basic and diluted earnings per share for the year ended 31 December 2019 is based on the profit attributable to owners of the Company for that year of RMB413,857,000 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 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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 102 to 106.

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 2019. 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 recommends the payment of a final dividend of RMB4 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. The final dividend will be distributed within two months from the date of approval by the forthcoming annual general meeting.

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 international economy and politics

The increasing uncertainties in the current global political and economic situation, such as geopolitical conflicts and trade frictions between major economies, will bring uncertainties to the global economy, and will also bring supply and demand and freight rates to the global energy transportation market influences. When geopolitical incidents such as local conflicts are prominent, it will also affect the safe operation of the Group's fleet.

(3) 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.

(4) 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.

(5) 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 2018 to 2019, the percentage of fuel costs in the costs of principal operations of the Group was 31.5% and 28.5%, 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.

(6) 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.

(7) The risk of higher capital expenditure

As at 31 December 2019, it is expected by the Group that its fleet will increase by 17 new oil tankers of 3,044,000 DWT in the next three years and the capital expenditure for this time period is expected to be RMB6.43 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.

(8) 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

On 31 January 2020, the Office of Foreign Assets Control of the US Department of the Treasury removed COSCO SHIPPING Tanker (Dalian) Co., Ltd., a direct wholly-owned subsidiary of the Group, from the Specially Designated Nationals and Blocked Persons List, according to a notice posted on the Treasury Department's website.

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

After the outbreak of Coronavirus Disease ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 outbreak, the Group will pay close attention to the development of the COVID-19 outbreak and evaluate the impact on its future financial position and operating results. As at the date on which the consolidated financial statements were authorized for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 outbreak.

An indication of likely development in the Company's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2020" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 26 to 29 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 14 and 15 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 RMB146 million which decreased approximately 34.0% compared to 2018. The decline in other income and net gains was mainly due to the decrease in the net profit of fuel oil disposal by approximately RMB48 million during the Reporting Period compared to 2018 and the decrease in bank deposit interest income by approximately RMB45 million during the Reporting Period compared to 2018.

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 15 of this annual report.

Income tax

Income tax of the Group resulted from the continuing operations of the year in 2019 was RMB330 million which increased approximately 176.1% compared with 2018. The increase was mainly due to the significant increase in assessable profits generated from the entities operating in the PRC as a result of the rebound of the global shipment market during the Reporting Period.

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 Provision E.1.2 of the 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 RMB7.60 million during 2019 (2018: 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 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the consolidated financial statements.

In March 2020, the Company completed the non-public issuance. The non-public issuance targeted at a total of 3 subscribers, namely, COSCO SHIPPING, Dalian Shipbuilding Industry Company Limited (大連船舶重工集團有限公司) and Hudong Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司).

On 10 March 2020, the subscription funds from the subscribers were transferred to the special account for raised funds designated by the Company. Baker Tilly China Certified Public Accountants (Special General Partnership) verified the transfer of the funds raised from the issuance to the issuer's account and issued the Capital Verification Report No. [2020]12332. According to the report, as of 10 March 2020, the actual number of RMB ordinary shares issued in the non-public issuance of A shares of the Company was 730,659,024, the total amount of funds raised was RMB5,099,999,987.52 and the actual net funds raised were RMB5,076,006,105.81. As of 10 March 2020, the registered capital of the Company after the issuance was RMB4,762,691,885.00, and the share capital amounted to RMB4,762,691,885.00.

COSCO SHIPPING, an indirect controlling Shareholder of the Company, participated in the subscription and subscribed for 601,719,197 shares, and the total number of shares directly and indirectly held by it increased from 1,554,631,593 to 2,156,350,790, with the percentage of shareholding increased from 38.56% before the issuance to 45.28% after the issuance.

The Company completed the procedures for registration and custody relating to the addition of shares arising from the issuance at China Securities Depository and Clearing Company Limited Shanghai Branch on 17 March 2020.

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 36 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, 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 RMB8,510,879,000 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 31 to the consolidated financial statements.

MAJOR CUSTOMERS

During the Reporting Period, the five largest customers of the Group combined accounted for 64.86% of the Group's total turnover. The largest customer is China National Petroleum Corporation ("中國石油天然氣集團有限公司") and the sales to it accounted for 23.34% (in the year of 2018: China Petrochemical Corporation

("中國石油化工集團有限公司") was the largest customer of the Group and represented a sales percentage of 26.06%) (note: customers who are under the control of the same controller have been treated as one customer and data for 2018 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

During the Reporting Period, the five largest suppliers of materials and services to the Group combined accounted for 48.76% of the Group's total purchases. The largest supplier is COSCO SHIPPING, and the purchases from it accounted for 40.45% (in the year of 2018: COSCO SHIPPING was the largest supplier of the Group and representing a supply proportion of 32.10%) (note: suppliers who are under the control of the same supplier have been treated as one supplier and data for 2018 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)	(Resigned on 23 April 2019[1])
Mr. Liu Hanbo (劉漢波)	
Mr. Zhu Maijin (朱邁進)	(Appointed on 10 June 2019[2])
Mr. Lu Junshan (陸俊山)	(Retired on 10 June 2019[3])

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. 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. Yang Lei (楊磊)
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 and still considers them to be independent.

Notes:

1. Mr. Huang Xiaowen (黃小文) has tendered his resignation as an executive Director due to a change in work allocation, with effect from 23 April 2019 as announced on the third Board meeting of the Company dated on 23 April 2019.

2. At the 2019 AGM the appointment of Mr. Zhu Maijin (朱邁進) as an executive Director was duly approved by Shareholders and took effect immediately after the conclusion of the 2019 AGM.

3. Mr. Lu Junshan (陸俊山) had retired as an executive Director as he has reached the age of retirement, and was succeeded by Mr. Zhu after the conclusion of the 2019 AGM.

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 228 to 236 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 31 March 2020, and is subject to termination by either party giving not less than three months' written notice. The Company is looking for suitable candidate to succeed Mr. Ruan Yongping, before which, he will continue to perform his duty.

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	8	2	0
RMB500,001 to RMB1,000,000	0	0	0
RMB1,000,001 to RMB1,500,000	1	0	0
RMB1,500,001 to RMB2,000,000	1	2	1
RMB2,000,001 to RMB2,500,000	0	0	5
RMB2,500,001 to RMB3,000,000	1	0	0

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 43 to the consolidated financial statements, COSCO SHIPPING Group (excluding the Group) provided miscellaneous management and other services to the Group during the year for a total fee of RMB17,045,000 (2018: RMB11,861,000).

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 2019, 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 of Hong Kong Limited (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 Group Company Limited (3)	A	1,554,631,593 (L)	56.82%	38.56%
COSCO SHIPPING (4)	A	1,554,631,593 (L)	56.82%	38.56%
Prudential plc (5)	H	146,498,000 (L)	11.30%	3.63%
GIC Private Limited (6)	H	129,710,000 (L)	10.01%	3.22%
Eastspring Investments	H	77,394,000 (L)	5.97%	1.92%
BlackRock, Inc. (7)	H	69,932,834 (L)	5.40%	1.73%
M&G Plc (8)	H	65,145,600 (L)	5.02%	1.62%

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

Note 2: As at 31 December 2019, 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 2019, such shareholding included 1,536,924,595 A Shares directly held by China Shipping Group Company Limited ("**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 2019, 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: As at 31 December 2019, 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 2019, BlackRock, Inc. held the above shares of the Company in its capacity as interest of corporation controlled by it.

Note 8: As at 31 December 2019, M&G Plc held the above shares of the Company in its capacity as interest of corporation controlled by it.

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 2019, 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', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 December 2019, the directors, supervisors and chief executive(s) of the Company who had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in the shares, underlying shares or debentures of the Company

Name of Director	Class of shares(1)	Number of shares held(2)	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Liu Hanbo ("**Mr. Liu**")(3)	A	475,000 (L)	0.02%	0.01%
Zhu Maijin ("**Mr. Zhu**")(4)	A	416,000 (L)	0.02%	0.01%

Notes:

(1) A – A Shares

(2) L – Long position

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

(4) This represents Mr. Zhu's entitlement to purchase up to 416,000 shares of the Company pursuant to the exercise of 416,000 share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

(ii) Long positions in the shares, underlying shares or debentures of associated corporations of the Company

Name of associated corporation	Name of Director/ Supervisor	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Feng Boming	Interest of spouse	A	530,000 (L)	0.00548%	0.00432%
	Mr. Teo Siong Seng	Beneficial owner	H	161,000 (L)	0.00624%	0.00131%
	Mr. Yang Lei	Beneficial owner	H	28,000 (L)	0.00109%	0.00023%
COSCO SHIPPING Development Co., Ltd.	Mr. Feng Boming	Beneficial owner	A	29,100 (L)	0.00037%	0.00025%
	Mr. Teo Siong Seng	Beneficial owner	H	200,000 (L)	0.00544%	0.00172%
	Mr. Yang Lei	Beneficial owner	H	213,000 (L)	0.00579%	0.00183%
COSCO SHIPPING Ports Limited	Mr. Zhang Wei	Beneficial owner	Ordinary shares	30,000 (L)	0.00095%	0.00095%
	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597 (L)	0.00084%	0.00084%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000 (L)	0.04305%	0.04305%

Notes: A – A Shares
H – H Shares
L – Long position

As at 31 December 2019, save as disclosed above, none of the Directors, Supervisors and chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisor or their respective 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 2019, 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 2019 are set out in note 40 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. On 12 November 2018 the Company entered into the 2018 Financial Services Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING shall procure COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**"), a company controlled by COSCO SHIPPING, to provide the Group, subject to independent shareholders' approval, with a range of financial services. The 2018 Financial Services Framework Agreement became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 17 December 2018. Pursuant to the 2018 Financial Services Framework Agreement, COSCO SHIPPING Finance will provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by China Banking and Insurance Regulatory Commission ("**CBIRC**") for 3 years commencing from 1 January 2019 to 31 December 2021. Subject to compliance with the Listing Rules, the 2018 Financial Services Framework Agreement may be renewed for another three years from 1 January 2022 upon written agreement by both parties.

Under the 2018 Financial Services Framework Agreement:

(i) COSCO SHIPPING Finance may accept deposits from the Group at interest rates not lower, and thus no less favourable to the Group, than (a) the relevant rates stipulated by the People's Bank of China (the "**PBC**") for similar type of deposits; and (b) the market interest rates (which refers to interest rates for similar type of deposits offered by independent third party commercial banks in their ordinary course of business in the same or neighboring areas under normal commercial terms); in addition, in determining the interest rates COSCO SHIPPING Finance should also make reference to the interest rates offered by COSCO SHIPPING Finance to similar companies of the COSCO SHIPPING Group (excluding the Group);

(ii) COSCO SHIPPING Finance may provide loans to the Group at interest rates not higher than (a) the upper limit of the relevant rates stipulated by the PBC for similar type of loans; and (b) the market interest rates (which refers to interest rates for similar type of loans offered by independent third party commercial banks in their ordinary course of business in the same or neighboring areas under normal commercial terms); in addition, the terms of the loans shall be better than the terms offered to the Group by independent third parties for similar type of loans; and (b) the terms offered by COSCO SHIPPING Finance to independent third parties with same credit rating for similar type of loans;

(iii) COSCO SHIPPING Finance will not charge the Group any fees for the provision of settlement services for the time being; and

(iv) The fees charged by COSCO SHIPPING Finance for the provision of foreign exchange services and other financial services shall be (a) in accordance with the requirements stipulated by the PBC or CBIRC for similar type of services (if applicable); (b) not higher than the fees charged by independent third party commercial banks for similar type of services to the Group; and (c) the fees charged by COSCO SHIPPING Finance for similar type of services to an independent third party with the same credit rating.

2. On 12 November 2018, the Company entered into the 2018 Shipping Materials and Services Framework Agreement with COSCO SHIPPING whereby the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) certain supplies and services subject to independent shareholders' approval. The 2018 Shipping Materials and Services Framework Agreement became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 17 December 2018. Pursuant to the 2018 Shipping Materials and Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) the necessary supporting shipping materials and services for the ongoing operations of the transportation business including supply of marine lubricant, supply of shipping fuel, supply of shipping materials and relevant repair services as well as other services for 3 years commencing from 1 January 2019 to 31 December 2021.

   The fees for the Shipping Materials and Services will be determined by reference to the prevailing market price for similar type of shipping materials and/or services.

   Subject to compliance with the Listing Rules, the 2018 Shipping Materials and Services Framework Agreement may be renewed for another three years from 1 January 2022 upon written agreement by both parties.

3. On 12 November 2018, the Company entered into the 2018 Sea Crew Framework Agreement with COSCO SHIPPING whereby the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) the crew management, training, hiring and related services subject to independent shareholders' approval. Pursuant to the 2018 Sea Crew Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) the crew management, training, hiring and related services for 3 years commencing from 1 January 2019 to 31 December 2021.

   The fees for the Crew Services will be determined by reference to the prevailing market price for similar type of crew services.

   Subject to compliance with the Listing Rules, the 2018 Sea Crew Framework Agreement may be renewed for another three years from 1 January 2022 upon written agreement by both parties.

4. On 12 November 2018, the Company entered into the 2018 Services Framework Agreement with COSCO SHIPPING whereby the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) miscellaneous services subject to independent shareholders' approval. The 2018 Services Framework Agreement became effective subsequent to the approval by independent shareholders at the extraordinary general meeting held on 17 December 2018. Pursuant to the 2018 Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) the necessary supporting miscellaneous services, including computer and software maintenance services, accommodation, transportation and conference services as well as other services for 3 years commencing from 1 January 2019 to 31 December 2021.

   The fees for the miscellaneous services will be determined by reference to the prevailing market price for similar type of services.

   Subject to compliance with the Listing Rules, the 2018 Services Framework Agreement may be renewed for another three years from 1 January 2022 upon written agreement by both parties.

5. On 12 November 2018, the Company entered into the 2018 Lease Framework Agreement with COSCO SHIPPING pursuant to which the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with property and land use right leasing services. Pursuant to the 2018 Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with property and land use right leasing services for 3 years commencing from 1 January 2019 to 31 December 2021.

   The rent for the leasing services will be determined by reference to the prevailing market price.

   Subject to compliance with the Listing Rules, the 2018 Lease Framework Agreement may be renewed for another three years from 1 January 2022 upon written agreement by both parties.

As at 31 December 2019, China Shipping holds approximately 38.56% of the issued share capital of the Company. China Shipping is a wholly-owned subsidiary of COSCO SHIPPING. COSCO SHIPPING and China Shipping are therefore the Company's controlling shareholders as defined under the Listing Rules. As such, COSCO SHIPPING and China Shipping are connected persons of the Company within the meaning of the Listing Rules.

COSCO SHIPPING Finance is a company controlled by COSCO SHIPPING and therefore a connected person of the Company. As such, the transactions pursuant to the 2018 Financial Services Framework Agreement constitute continuing connected transactions for the Company. The transactions pursuant to the 2018 Shipping Materials and Services Framework Agreement, the 2018 Sea Crew Framework Agreement, the 2018 Services Framework Agreement and the 2018 Lease Framework Agreement also constitute continuing connected transactions of the Company as such agreements were entered are with COSCO SHIPPING.

The Board believes that by securing deposit and loan services from COSCO SHIPPING Finance for the three years ending 31 December 2021 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks.

The terms of the 2018 Shipping Materials and Services Framework Agreement, the 2018 Sea Crew Framework Agreement and the 2018 Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the shipping materials and services, crew services and miscellaneous services from the COSCO SHIPPING Group (excluding the Group), who is an experienced service provider in the shipping industry, and/or its associates will strengthen the competitiveness of the Group.

The reason for the bilateral arrangement in relation to the 2018 Lease Framework Agreement is mainly because of the geographical location of the leased properties. the Board considers that the 2018 Lease Framework Agreement can set up a framework and streamline the leasing procedures in respect of the leasing of properties between members of the Group and the COSCO SHIPPING Group (excluding the Group) and/or its associates.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2019 in relation to the non-exempt continuing connected transactions of the Group:

Transactions	**Annual cap for the year ended 31 December 2019 ('000)**	**Actual transaction amount for the year ended 31 December 2019 ('000)**
1. 2018 Financial Services Framework Agreement		
(a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance	9,000,000	2,740,407
(b) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance	2,000,000	–
2. 2018 Shipping Materials and Services Framework Agreement		
(a) Proposed annual caps for provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	150,000	86,355
(b) Proposed annual caps for receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	7,000,000	4,171,386
3. 2018 Sea Crew Framework Agreement		
(a) Proposed annual caps for provision of the Crew Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	18,000	–
(b) Proposed annual caps for receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	1,900,000	1,388,719
4. 2018 Services Framework Agreement		
(a) Proposed annual caps for provision of the Miscellaneous Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	30,000	557
(b) Proposed annual caps for receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	130,000	17,045
5. 2018 Lease Framework Agreement		
(a) Proposed annual caps for provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	30,000	5,270
(b) Proposed annual caps for receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	30,000	4,513

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 43 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 43 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 2018 made by the Company in respect of the disclosed continuing connected transactions.

On 29 May 2019, the Company entered into the supplemental agreement with COSCO SHIPPING to incorporate consequential changes to the subscription agreement as a result of the amendment resolution for the proposed non-public issuance of A shares, details of which are set out in the circular of the Company dated 5 July 2019.

In March 2020, the Company has completed the proposed non-public issuance of A shares, details of which are referred to in the paragraph headed SHARE CAPITAL in page 206 of this report.

On 25 September 2019, the Company and COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. * (大連中遠海運重工有限公司) entered into vessel construction agreements, pursuant to which the Company has agreed to purchase and take delivery of, and COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. has agreed to construct and sell two oil tankers, each of 49,900 DWT, with total consideration of US$67,800,000. COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. is an indirect wholly-owned subsidiary of COSCO SHIPPING and therefore is a connected person of the Company. The Directors are of the view that the construction of the oil tankers will enable the Group to capture the increase in demand for oil tankers and capitalize on the positive market environment of the oil tanker industry, as well as bring about economies of scale, overall route arrangement optimization and operation efficiency and profitability improvements through an expanded fleet.

The installment of the shipbuilding contract paid by the Group to Dalian COSCO Shipping Heavy Industry in 2019 was USD3,932,400, equivalent to RMB27,015,588.

EMPLOYEES

As at the end of 2019, the Company had approximately 6,929 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 incentive 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 2019, the total staff costs was approximately RMB2.547 billion (2018: approximately RMB2.153 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 39 to the consolidated financial statements.

No forfeited contributions were available as at 31 December 2019 to reduce future contributions.

SHARE OPTION SCHEME

On 17 December 2018, the Incentive Scheme was approved by shareholders at the extraordinary general meeting and class meetings of, and adopted by, the Company. On 27 December 2018 (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 Incentive Scheme

The purpose of the Incentive 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 Incentive 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 Incentive 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 Incentive Scheme**

The total number of shares subject to the options that may be granted to the participants under the Incentive 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 Incentive 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 Incentive 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 Incentive 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 Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB6.05 per A share to RMB6.00 per A share.

(H) Validity period

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

(I) Movement of options granted under the Incentive Scheme

Details of movement of the options granted under the Incentive Scheme for the year ended 31 December 2019 and up to the date of this report were as follows:

Name or category of participants	Number of options: As at 1 January 2019	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at the date of this report	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	5.98[2]
Zhu Maijin (Director)	416,000[1]		-	-	-	416,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.98[2]
	891,000		-	-	-	891,000				
Other management and core technical personnel (131 participants)	34,569,000[1]		-	-3,740,000[3]	-	30,829,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.98[2]
	34,569,000		-	-3,740,000[3]	-	30,829,000				
	35,460,000		-	-3,740,000[3]	-	31,720,000				

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

(2) The exercise price was adjusted from RMB 6.00 to RMB 5.98 on the Board meeting on 30 March 2020.

(3) 3,740,000 share options held by 12 participants has been cancelled on the Board meeting on 30 March 2020.

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.

By order of the Board
Liu Hanbo
Chairman

Shanghai, the PRC
30 March 2020

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive Directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter referred to as the "**Company**"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2019 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.

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 are identified by the China Securities Regulatory Commission as personnels whose entry into the securities market is banned and the ban 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 2019, the Board comprises 9 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, and 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 2019, 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 2019, 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 2019 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 2019:

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 8 Directors, including 2 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. Mr. Liu Hanbo 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 2019, the Strategy Committee held one meeting to review the "Proposal on the 'new cycle, new starting point, new strategy' 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 2019, the Audit Committee held 4 meetings, considered the proposals in respect of the Company's 2018 annual financial report, 2018 internal control evaluation report, 2019 domestic and foreign audit institutions hiring, 2019 interim financial report, and formed opinions of the Audit Committee on the company's 2018 financial report, 2018 profit distribution plan and 2019 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 2019, 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 2019, the Remuneration and Appraisal Committee held one meeting, reviewed the current emoluments of Directors and senior management and assessed the implementation of the working plan of the Company for 2018. The Company's remuneration policy for 2018 is based on the qualification, duties and responsibilities of Directors.

(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 2019, the committee convened one meeting to consider the issue of change of an executive director and appointment of a senior management personnel, and relevant proposal was submitted to the Board for approval.

(5) In order to effectively to promote the rule of law of listed companies as required by supervisory agencies at home and abroad, an to give full play of the functions of special committees of the Board in the rule of law and risk control management, in 2019, the Company's Board approved the establishment of a risk control committee. The Risk Control Committee consists of three directors, two of whom are independent non-executive directors, and the chairman of the committee is Mr. Liu Hanbo.

Each of us earnestly executed our duties as independent non-executive Directors in the above-mentioned five 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 2019, the Board appointed Mr. Zhu Maijin as the General Manager of the Company for a term of three years, with effect from 23 April 2019.

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 released a positive profit alert in July 2019 as there was a turnaround from loss to profit for the six months ended 30 June 2019.

The Company released a positive profit alert in January 2020 as there was an expected substantial growth of profit for the year ended 31 December 2019, which was mainly attributable to:in the year of 2019, the growth of global demand for oil remained steady and the supply-demand relationship of oil shipping has improved; the overall performance of the international oil shipping market throughout the year first went low and then surged with the average daily time charter equivalent of the TD3C (Middle East Gulf to China) route for very large crude carrier recorded USD39,387 per day, representing a year-on-year increase of approximately 109%, and that of other major shipping routes of other types of vessels increased by approximately 77% to 199% year-on-year.

6. Appointment or Replacement of Certified Public Accountants

The Company's 2019 Annual General Meeting considered and approved the proposal on appointing the Company's 2019 domestic and overseas audit institutions and their remuneration, including:

Reappoint PricewaterhouseCoopers and SHINEWING Certified Public Accountants as the international auditors and the domestic auditors of the Company for the year ending 31 December 2019 respectively.

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 is qualified with 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 Rule 4.03 the Listing Rules, 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.

We agreed to continue to hire ShineWing to serve as the Company's domestic audit institution and PricewaterhouseCoopers as the overseas audit institution in 2019. 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.

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

7. Cash Dividends and Other Returns for Investors

In 2018, the Company achieved a net profit attributable to owners of the Company RMB74.68 million. The Board recommended the distribution of a final dividend if RMB2 cents per share (tax inclusive) for the financial year of 2018 which had been approved at the 2019 AGM and the dividend has been paid to shareholders in June 2019.

8. Fulfillment of Undertakings by the Company and Shareholders

China Shipping Group Company Limited, the controlling shareholder of the Company, and China COSCO SHIPPING Corporation Limited, 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.

10. Implementation of Internal Controls

In 2016, after the implementation of material asset restructuring, the Company actively promoted the system construction work. The Company sorted 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.

In 2019, the Company, based on its deepening reforms, put forward the risk management ideology of building a "trinity" risk control system involving corporate institution, internal control and compliance, together with the Company's comprehensive management system to improve its comprehensive immunity. During the year, 46 new administrative and 19 party and mass rules and regulations were added and revised to further complete the Company's internal control system; and the Company's risk prevention and control system was created as well. In addition, in 2019, the Company also instructed and promoted the construction of the rules and regulations of its affiliates as COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, COSCO PetroChina SHIPPING Co., Ltd. and Shenzhen Sanding Oil-shipping Co., Limited. The Company's risk management level was further improved.

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 2019, 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 2019, 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 2020, 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

30 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2019, the Supervisory Committee held 5 meetings, details of which are set out below:

27-Mar-19

1. Report on the work of the Company's Supervisory Committee in 2018
2. 2018 Annual Report of the Company
3. 2018 audited financial report of the Company
4. 2018 profit distribution plan of the Company
5. 2018 social responsibility report of the Company
6. 2018 internal control evaluation report of the Company
7. 2019 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 2019 to the first half of 2020

30-Apr-19

1. Proposal on changes in accounting estimates
2. First quarterly report of 2019

30-May-19

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)

30-Aug-19

1. Proposal on changes in accounting policies
2. Interim report and results announcement for the six months ended 30 June 2019

31-Oct-19

1. Third quarterly report of 2019
2. Proposed Amendments to the Rules and Procedures of Meetings of the Supervisory Committee
3. Extension of the Validity Period of the Shareholders' Resolutions Relating to the Proposed Non-public Issuance of A Shares.
4. Extension of the Validity Period of the Authorisation Granted to the Board and Any Person Authorised by the Board to Handle All Matters Relating to the Proposed Non-public Issuance of A Shares.

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2019:

(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 2019 annual consolidated financial statements represented a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows in 2019 and the 2019 annual consolidated financial statements were audited by ShineWing and PricewaterhouseCoopers.

(3) During the Reporting Period, the Company's asset disposal price was reasonable, and no insider trading was found in such transactions; connected transactions conformed to the principles of fairness, openness, and impartiality. 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
30 March 2020

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 102 to 225, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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 summarized as follows:

- Carrying amount of vessels

- Freight revenue for vessel voyages in progress at year end

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Carrying amount of vessels

Refer to notes 2.8, 4.1 and 15 to the consolidated financial statements.

As at 31 December 2019, the Group has vessels with total net carrying amount of approximately RMB46,230 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 and involves significant management judgements and assumptions in particular forecast utilization, 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..

How our audit addressed the Key Audit Matter

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 2.19 and 5 to the consolidated financial statements. As at 31 December 2019, the Group recognized revenues of RMB13,721 million out of which RMB11,224 million was related to freight revenue which represents revenue, from oil shipment excluding vessel chartering. The Group recognizes 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 maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer and vendor contracts; • checked the port loading and discharging information (i.e. time and date) 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 is 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 skepticism 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, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 RMB'000	2018 RMB'000
Revenues	5	**13,721,140**	12,099,685
Operating costs		**(11,125,022)**	(10,304,074)
Gross profit		**2,596,118**	1,795,611
Other income and net gains	6	**146,480**	221,919
Marketing expenses		**(49,296)**	(22,805)
Administrative expenses		**(876,990)**	(748,155)
Net impairment losses on financial and contract assets		**(3,208)**	(22,183)
Other expenses		**(106,381)**	(31,761)
Share of profits of associates	19	**287,807**	276,245
Share of profits of joint ventures	20	**427,085**	231,906
Finance costs	7	**(1,419,627)**	(1,287,714)
Profit before tax	8	**1,001,988**	413,063
Income tax expense	9	**(330,384)**	(119,657)
Profit for the year		**671,604**	293,406
Other comprehensive (loss)/income			
Item that will not be reclassified to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		**96,092**	(30,622)
Remeasurement of defined benefit plan payable		**2,980**	(11,630)
Items that may be reclassified to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**147,039**	343,201
Net (loss)/gain on cash flow hedges		**(320,272)**	33,929
Hedging gain reclassified to profit or loss	7	**50,517**	56,139
Share of other comprehensive loss of associates		**(17,529)**	(2,553)
Share of other comprehensive (loss)/income of joint ventures		**(107,171)**	76,449
Remeasurement of investment properties		**4,558**	–
Other comprehensive (loss)/income for the year		**(143,786)**	464,913
Total comprehensive income for the year		**527,818**	758,319

	Note	For the year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**413,857**	74,679
Non-controlling interests		**257,747**	218,727
Profit for the year		**671,604**	293,406
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**386,391**	505,429
Non-controlling interests		**141,427**	252,890
		527,818	758,319
		RMB cents	RMB cents
Earnings per share	13		
– Basic and diluted		**10.26**	1.85

The notes on pages 111 to 225 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**50,714**	21,286
Property, plant and equipment	15	**49,160,894**	49,330,845
Prepaid land lease payments	16	**–**	74,842
Right-of-use assets	17	**2,414,753**	–
Goodwill	18	**73,325**	73,325
Investments in associates	19	**2,355,055**	2,363,511
Investments in joint ventures	20	**3,186,957**	2,844,733
Loan receivables	21	**1,230,929**	1,447,227
Financial assets at fair value through other comprehensive income	22(a)	**396,439**	268,278
Deferred tax assets	23(a)	**45,165**	47,568
		58,914,231	56,471,615
CURRENT ASSETS			
Current portion of loan receivables	21	**27,786**	13,137
Inventories	24	**774,260**	926,847
Contract assets	25	**469,614**	1,057,468
Trade and bills receivables	25	**937,682**	752,110
Prepayments, deposits and other receivables	26	**797,927**	722,721
Taxes recoverable		**–**	3,587
Pledged bank deposits	27	**861**	858
Cash and cash equivalents	27	**3,919,500**	3,467,924
		6,927,630	6,944,652
TOTAL ASSETS		**65,841,861**	63,416,267

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Provision and other liabilities		**25,297**	15,320
Derivative financial instruments	30	**631,235**	352,382
Interest-bearing bank and other borrowings	31	**17,325,526**	18,786,375
Other loans	32	**1,089,247**	1,109,592
Bonds payable	33	**2,493,477**	2,491,252
Employee benefits payable	34	**187,499**	141,750
Lease liabilities	17	**2,145,306**	–
Deferred tax liabilities	23(b)	**428,476**	365,822
		24,326,063	23,262,493
CURRENT LIABILITIES			
Trade and bills payables	28	**1,922,313**	1,454,436
Contract liabilities		**28,704**	59,528
Other payables and accruals	29	**1,060,783**	731,296
Current portion of interest-bearing bank and other borrowings	31	**8,554,842**	7,036,564
Current portion of other loans	32	**43,443**	67,493
Current portion of bonds payable	33	**–**	1,498,439
Current portion of employee benefits payable	34	**15,975**	11,890
Current portion of lease liabilities	17	**586,728**	–
Taxes payable		**135,404**	21,930
		12,348,192	10,881,576
TOTAL LIABILITIES		**36,674,255**	34,144,069

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	35	**4,032,033**	4,032,033
Reserves	36	**24,092,702**	24,159,587
		28,124,735	28,191,620
Non-controlling interests		**1,042,871**	1,080,578
TOTAL EQUITY		**29,167,606**	29,272,198

Liu Hanbo
Director

Zhu Maijin
Director

The notes on pages 111 to 225 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	ATTRIBUTABLE TO EQUITY HOLDERS 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	FVOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	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 gain 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	-	-	-	-	-	-	-	-	-	-	-	-	-	553,063	553,063
Provision of safety fund reserve	-	-	-	-	-	-	91,958	-	-	-	-	(98,329)	(6,371)	6,371	-
Utilization 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2019

	ATTRIBUTABLE TO EQUITY HOLDERS 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	FVOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (as previously reported)	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
Change in accounting policy (Note 2.2)	-	-	-	-	-	-	-	-	-	-	-	(384,188)	(384,188)	(260)	(384,448)
At 1 January 2019 (restated)	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	12,934,554	27,807,432	1,080,318	28,887,750
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	413,857	413,857	257,747	671,604
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	49,007	-	-	49,007	47,085	96,092
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	2,980	2,980	-	2,980
Currency translation differences	-	-	-	-	-	-	-	-	-	-	148,725	-	148,725	(1,686)	147,039
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(130,671)	-	-	-	(130,671)	(189,601)	(320,272)
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	20,611	-	-	-	20,611	29,906	50,517
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(18,408)	2,903	-	-	(15,505)	(2,024)	(17,529)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	(126,528)	-	19,357	-	(107,171)	-	(107,171)
Remeasurement of investment properties	-	-	4,558	-	-	-	-	-	-	-	-	-	4,558	-	4,558
Total comprehensive income for the year	-	-	4,558	-	-	-	-	-	(254,996)	51,910	168,082	416,837	386,391	141,427	527,818
Provision of safety fund reserve	-	-	-	-	-	-	95,269	-	-	-	-	(104,103)	(8,834)	8,834	-
Utilization of safety fund reserve	-	-	-	-	-	-	(115,686)	-	-	-	-	121,853	6,167	(6,167)	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(179,882)	(179,882)
Dividends paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	-	(80,641)	(80,641)	-	(80,641)
Fair value of share options granted	-	-	-	12,561	-	-	-	-	-	-	-	-	12,561	-	12,561
Transaction with non-controlling interests	-	-	-	1,659	-	-	-	-	-	-	-	-	1,659	(1,659)	-
At 31 December 2019	4,032,033	7,749,939	277,976	90,561	(286,027)	2,877,435	9,717	93,158	(424,144)	81,855	333,732	13,288,500	28,124,735	1,042,871	29,167,606

The notes on pages 111 to 225 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 RMB'000	2018 RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	38	**5,230,362**	2,156,032
INVESTING ACTIVITIES			
Interest received		**117,101**	82,025
Payments for construction in progress		**(1,254,080)**	(3,414,413)
Purchases of property, plant and equipment		**(21,461)**	(31,908)
(Payments for)/proceeds from disposal of property, plant and equipment		**(7)**	1,077
Loans to joint ventures		**(13,784)**	(256,417)
Repayment from joint ventures and associates		**262,475**	1,023,018
Dividends from joint ventures and associates		**461,136**	219,719
Dividends received from financial assets at fair value through other comprehensive income		**10,850**	8,701
Acquisition of a subsidiary, net of cash acquired		**–**	625,229
Net cash outflow for disposal of a subsidiary		**(4,579)**	–
Investments in a joint venture		**(232,886)**	(604,533)
Increase in pledged bank deposits		**(3)**	(758)
NET CASH USED IN INVESTING ACTIVITIES		**(675,238)**	(2,348,260)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2019

	Note	For the year ended 31 December	
		2019	2018
		RMB'000	RMB'000
FINANCING ACTIVITIES			
Interest paid		**(1,356,689)**	(1,310,890)
Dividends paid		**(80,641)**	(201,602)
Dividends paid to non-controlling interests of subsidiaries		**(177,137)**	(537,747)
Dividends paid to former share holder of a subsidiary		**(14,397)**	–
Increase in other loans		**–**	63,697
Repayment of other loans		**(69,700)**	(109,388)
Increase in interest-bearing bank and other borrowings		**6,986,513**	5,807,830
Repayment of interest-bearing bank and other borrowings		**(7,310,074)**	(5,237,852)
Repayment of bonds payable		**(1,500,000)**	–
Contribution from non-controlling interests of a subsidiary		**–**	117,600
Lease payments		**(646,857)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(4,168,982)**	(1,408,352)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**386,142**	(1,600,580)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**3,467,924**	5,011,256
Effect of foreign exchange rate changes, net		**65,434**	57,248
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,919,500**	3,467,924

The notes on pages 111 to 225 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

During the 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 ("**LNG**") shipping and liquefied petroleum gas ("**LPG**") shipping.

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

The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Shanghai Stock Exchange respectively.

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 were approved for issue by the Board on 30 March 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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 2.7);

– certain equity investments that are measured at fair value/financial assets at fair value through other comprehensive income ("**FVOCI**") (see note 2.11); and

– derivative financial instruments (see note 2.18).

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 HKFRS 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 HKFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in note 3 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
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

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 2.2(b) below.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Adjustments recognized on adoption of HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 3.00% to 4.75% per annum.

(i) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,777,583
Less:	
Short-term leases recognized on a straight-line basis as expense	(92,561)
	3,685,022
Discounted using the lessee's incremental borrowing rate of at the date of initial application, lease liabilities recognized as at 1 January 2019	3,161,967
Lease liabilities recognized as at 1 January 2019	**3,161,967**
Of which are:	
Current lease liabilities	518,849
Non-current lease liabilities	2,643,118
	3,161,967

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Adjustments recognized on adoption of HKFRS 16 (Continued)

(ii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Vessels	**2,329,921**	2,696,015
Prepaid land lease payments	**72,463**	74,842
Properties	**12,316**	14,099
Motor vehicles	**53**	–
Total right-of-use assets	**2,414,753**	2,784,956

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Adjustments recognized on adoption of HKFRS 16 (Continued)

(iii) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB2,784,956,000
- prepaid land lease payments – decrease by RMB74,842,000
- deferred tax assets – increase by RMB67,405,000
- lease liabilities (current portion) – increase by RMB518,849,000
- lease liabilities (non-current portion) – increase by RMB2,643,118,000

The net impact on retained earnings and non-controlling interests on 1 January 2019 were decreased by RMB384,188,000 and RMB260,000 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Adjustments recognized on adoption of HKFRS 16 (Continued)

(iv) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating lease as a result of the adoption of HKFRS 16.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(c) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:*

		Effective for annual periods beginning on or after
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 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)

2.3 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 recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized 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 recognized 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)

2.4 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 recognized 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 recognized as expenses in the year in which they were incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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 recognized in profit or loss as incurred.

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized 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 recognized 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 recognized 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)

2.4 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 recognized 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 recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized 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 recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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 recognized directly in profit or loss. An impairment loss recognized 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.

2.6 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)

2.6 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 recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize 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 recognizing its share of further losses. Additional losses are recognized 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 recognized 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 recognized 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 recognize 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized 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 recognized 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)

2.7 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 capitalized 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 recognized 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 recognized as cost and subsequently depreciated over its estimated remaining useful life.

An investment property is derecognized 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 derecognized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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 capitalized 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	3-5 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 derecognized 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 recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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 capitalized borrowing costs on related borrowed funds during the years of construction, installation and testing. Capitalization 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.

2.9 Leasehold land and land use rights

All land in the People's Republic of China (the "**PRC**") is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortized over the lease periods using the straight-line method. The land use rights are stated at historical cost less accumulated amortization and impairment losses.

As disclosed in note 2.2(b), the Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications from land use rights to right-of-use asset arising from the new leasing standards are therefore recognized in the opening balance sheet on 1 January 2019.

2.10 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 recognized 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)

2.10 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized 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 recognized 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.

2.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

2.11 Investments and other financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Amortized 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 amortized 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 recognized 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 recognized 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 recognized 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)

2.11 Investments and other financial assets (Continued)

(iv) Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 25 for further details.

2.12 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 derecognized 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 recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Derecognition of financial assets (Continued)

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.

2.13 Inventories

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

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 25 for further information about the Group's accounting for trade receivables and note 4.5 for a description of the Group's impairment policies.

2.15 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial liabilities at amortized 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 recognized at fair value less directly attributable transaction costs. They are subsequently measured at amortized 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 recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Effective interest method

The effective interest method is a method of calculating the amortized 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 recognized on an effective interest basis.

2.17 Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in profit or loss.

2.18 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 recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Derivative financial instruments and hedging (Continued)

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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Derivative financial instruments and hedging (Continued)

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 recognized directly in other comprehensive income, while the ineffective portion is recognized 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 recognized 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 recognized 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 recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

2.19 Revenue recognition

(a) Revenue from contracts with customers

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

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 capitalized and presented as contract assets and subsequently amortized when the related revenue is recognized. 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 amortized cost.

Contract liabilities are recognized 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 fulfillment 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, recognized on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(ii) Revenue from vessel chartering

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(b) Other Revenue

(i) rental income arising from assets leased out under operating leases are recognized on a straight-line basis over the year 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.

2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 capitalized as part of the cost of those assets. The capitalization 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 capitalized.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

The Group leases various offices, vessels and cars. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. Payments for prepaid land lease payments were recorded in prepaid land lease payments and amortization was charged to income statement on a straight line basis over the period of the land lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (note 6). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss, OCI or in equity if it relates to items that are recognized 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.

Deferred tax liabilities are recognized 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 recognized 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 utilized 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 recognized 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 utilized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Income tax (Continued)

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 utilized. Conversely, previously unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit and loss. Deferred tax items are recognized 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.

2.23 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 recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Foreign currency translation (Continued)

(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 recognized in profit or loss.

2.24 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 recognized as a liability.

2.25 Government subsidies

Subsidies from the government are recognized 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 recognized 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 recognized as income in the year in which they become receivable.

Subsidies relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized.

2.27 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 recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.28 Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Provisions (Continued)

Provision for onerous contracts

Provision for an onerous contract is recognized 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 fulfill the contract.

2.29 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized 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 recognized until the time of leave.

(b) *Bonus entitlements*

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

(c) *Housing funds*

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Employee benefits (Continued)

(d) Retirement benefit costs

(i) Defined contribution retirement 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 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 recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/income on the net defined benefit liability/asset are recognized 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 recognized 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 recognized. Net interest expense 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Employee benefits (Continued)

(d) Retirement benefit costs (Continued)

(ii) Defined benefit retirement benefit plans (Continued)

Remeasurements arising from defined benefit retirement plans are recognized 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) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability).

(e) Enterprise annuity

The annuity scheme confirms that the employer's contributions will be 8% of the total staff costs of previous year. The employees' contributions will be 2% of their income from previous year and the employer's contributions for the management staff should not be five times more than the staff average. The Group's contributions to the enterprise annuity scheme are expensed as incurred.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes 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 recognizes 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Employee benefits (Continued)

(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 recognized as incurred. The liabilities recognized 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 recognized 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 recognized 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 recognizes 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)

2.30 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.

2.31 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. FINANCIAL RISK MANAGEMENT

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 minimize 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.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk

(i) Foreign currency risk

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

As at 31 December 2019, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the year would have been RMB23,287,000 higher/lower (31 December 2018: RMB3,907,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables, payables and borrowings.

(ii) Interest rate risk

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2019 and 31 December 2018.

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 2019, 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 RMB109,969,000 lower/higher (31 December 2018: RMB122,576,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Price risk

As at 31 December 2019, the Group's financial assets at FVOCI amounted to RMB396,439,000 (31 December 2018: RMB268,278,000) as disclosed in note 22 to the consolidated financial statements are measured at fair value at the end of each reporting period. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stockholding decisions.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade and bills receivables, contract assets, deposits and other receivables, loan receivables, financial guarantees, pledged bank deposits and cash and cash equivalents. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and contract assets and impairment of other receivables as set out in note 25 to the consolidated financial statements.

As at 31 December 2019, trade and bills receivables due from the top five debtors amounted to RMB325,557,000 (31 December 2018: RMB251,787,000), representing 34% (31 December 2018: 32%) 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 2019, the Directors are of the opinion that the credit risk is minimal as the associates and joint ventures have good credit standing.

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

As at 31 December 2019 and 31 December 2018, 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.

(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 2019, the Group's current liabilities exceeded its current assets by approximately RMB5,420,562,000. As at 31 December 2019, the Group has total unutilized uncommitted and committed credit facilities of approximately RMB12,911,954,000 from banks. The Directors believe that, based on experience to date, it is likely that the Group will continue to be able to drawdown loans from these facilities in the foreseeable future 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, the Directors consider that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for the coming 12 months. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the respective balance sheet dates 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.

	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000	Total RMB'000
At 31 December 2019				
Trade and bills payables	**1,922,313**	**–**	**–**	**1,922,313**
Financial liabilities included in other payables and accruals (excluding interest payable)	**880,752**	**–**	**–**	**880,752**
Interest payable in relation to borrowings and bonds	**162,647**	**–**	**–**	**162,647**
Derivative financial instruments	**–**	**–**	**631,235**	**631,235**
Lease liabilities	**706,248**	**430,338**	**1,998,711**	**3,135,297**
Interest-bearing bank and other borrowings	**9,450,137**	**3,268,839**	**19,226,001**	**31,944,977**
Other loans	**104,103**	**101,903**	**1,269,213**	**1,475,219**
Bonds payable	**126,800**	**126,800**	**2,586,917**	**2,840,517**
	13,353,000	**3,927,880**	**25,712,077**	**42,992,957**
At 31 December 2018				
Trade and bills payables	1,454,436	–	–	1,454,436
Financial liabilities included in other payables and accruals (excluding interest payable)	568,531	–	–	568,531
Interest payable in relation to borrowings and bonds	162,765	–	–	162,765
Derivative financial instruments	–	–	352,382	352,382
Interest-bearing bank and other borrowings	8,054,113	4,190,662	17,792,473	30,037,248
Other loans	129,935	100,422	1,299,044	1,529,401
Bonds payable	1,702,550	126,800	2,753,600	4,582,950
	12,072,330	4,417,884	22,197,499	38,687,713

3. FINANCIAL RISK MANAGEMENT (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, categorized 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.

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 2019				
Financial assets:				
Financial assets at FVOCI	**390,905**	**–**	**5,534**	**396,439**
Financial liabilities:				
Derivative financial instruments	**–**	**631,235**	**–**	**631,235**
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

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

During the year ended 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the listed equity investments are based on the current bid price.

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

The fair value of interest rate swap agreements as derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial assets and liabilities carried at amortized cost are not materially different from their fair values as at 31 December 2019 and 31 December 2018.

3. FINANCIAL RISK MANAGEMENT (Continued)

(e) 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 2019 and 31 December 2018 is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Total debts	**29,506,535**	30,989,715
Less: cash and cash equivalents	**(3,919,500)**	(3,467,924)
Net debt	**25,587,035**	27,521,791
Total equity	**29,167,606**	29,272,198
Net debt-to-equity ratio	**88%**	94%

4. 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.

4.1 Impairment of vessels

The Group's major operating assets represent vessels in property, plants and equipments and right-of-use assets. 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 utilization, daily time-charter equivalent ("**TCE**") rates, cost inflation rates and discount rates applied to the future cash flows forecasts.

4.2 Freight revenue for vessel voyages in progress at year end

The Group recognizes 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.

4.3 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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2019 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased by RMB212,254,000 (for the year ended 31 December 2018: RMB195,875,000) or increased by RMB259,421,000 (for the year ended 31 December 2018: RMB239,402,000) for the year ended 31 December 2019.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2019 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by RMB64,845,000 (for the year ended 31 December 2018: RMB55,284,000) for the year ended 31 December 2019.

4.4 Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income 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 2019 would have been increased by the same amount of RMB492,421,000 (31 December 2018: RMB637,141,000).

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 utilized. The outcome of their actual utilization or reversal may be different (see note 23).

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.5 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 2019, allowance for trade and other receivables, contract assets and loan receivables amounted to RMB63,313,000 (31 December 2018: RMB59,512,000).

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 categorized 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			
	2019		2018	
	Revenues RMB'000	**Contribution RMB'000**	Revenues RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment				
– Oil shipment	**11,223,943**	**1,721,032**	9,999,527	1,016,539
– Vessel chartering	**1,078,204**	**130,271**	788,766	77,164
	12,302,147	**1,851,303**	10,788,293	1,093,703
Others	**1,418,993**	**744,815**	1,311,392	701,908
	13,721,140	**2,596,118**	12,099,685	1,795,611
Other income and net gains		**146,480**		221,919
Marketing expenses		**(49,296)**		(22,805)
Administrative expenses		**(876,990)**		(748,155)
Net impairment losses on financial and contract assets		**(3,208)**		(22,183)
Other expenses		**(106,381)**		(31,761)
Share of profits of associates		**287,807**		276,245
Share of profits of joint ventures		**427,085**		231,906
Finance costs		**(1,419,627)**		(1,287,714)
Profit before tax		**1,001,988**		413,063

The Group's revenues for the year are recognized 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 2019 RMB'000	31 December 2018 RMB'000
Total segment assets		
Oil shipment	**54,738,420**	53,509,797
Others	**11,103,441**	9,906,470
	65,841,861	63,416,267
Total segment liabilities		
Oil shipment	**27,206,955**	23,784,623
Others	**9,467,300**	10,359,446
	36,674,255	34,144,069

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 2019, the total net carrying amount of the Group's oil tankers, LNG vessels and LPG vessels were RMB36,964,619,000 (31 December 2018: RMB37,816,410,000), RMB9,159,126,000 (31 December 2018: RMB9,326,902,000) and RMB106,173,000 (31 December 2018: RMB111,933,000) respectively.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the year ended 31 December			
	2019		2018	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area:				
Domestic	**5,033,071**	**1,255,558**	4,201,183	1,131,956
International	**8,688,069**	**1,340,560**	7,898,502	663,655
	13,721,140	**2,596,118**	12,099,685	1,795,611
Other income and net gains		**146,480**		221,919
Marketing expenses		**(49,296)**		(22,805)
Administrative expenses		**(876,990)**		(748,155)
Net impairment losses on financial and contract assets		**(3,208)**		(22,183)
Other expenses		**(106,381)**		(31,761)
Share of profits of associates		**287,807**		276,245
Share of profits of joint ventures		**427,085**		231,906
Finance costs		**(1,419,627)**		(1,287,714)
Profit before tax		**1,001,988**		413,063

During the years ended 31 December 2019 and 2018, 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 2019			
Additions to non-current assets	**1,778,510**	**2,531**	**1,781,041**
Depreciation and amortization	**2,559,236**	**314,304**	**2,873,540**
Losses on disposal of property, plant and equipment, net	**(902)**	**–**	**(902)**
Interest income	**77,027**	**26,755**	**103,782**
Year ended 31 December 2018			
Additions to non-current assets	3,530,996	29,780	3,560,776
Depreciation and amortization	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

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 2019 and 2018.

6. OTHER INCOME AND NET GAINS

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income		
Government subsidies (note)	**66,414**	65,043
Interest income from loan receivables	**68,654**	28,579
Bank interest income	**35,128**	80,325
Dividends received from financial assets at FVOCI	**10,850**	8,701
Rental income from investment properties	**5,509**	14,300
Others	**(46,889)**	32,421
	139,666	229,369
Other gains/(losses)		
(Losses)/gains on revaluation of investment properties, net	**(122)**	632
Exchange gains/(losses), net	**6,623**	(8,670)
Losses on disposal of property, plant and equipment, net	**(902)**	(73)
Others	**1,215**	661
	6,814	(7,450)
	146,480	221,919

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	
	2019	2018
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**1,109,136**	1,042,093
– corporate bonds	**193,469**	206,464
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**50,517**	56,139
– lease liabilities	**118,019**	–
– exchange (loss)/gain, net	**(51,514)**	22,799
	1,419,627	1,327,495
Less: interest capitalized	**–**	(39,781)
	1,419,627	1,287,714

During the year, no interest expense is capitalized (for the year ended 31 December 2018: the capitalization rate applied to funds borrowed and utilized for the vessels under construction was at a rate of 3.23% to 4.27% per annum).

8. PROFIT BEFORE TAX

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**3,934,385**	4,092,838
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**7,190,637**	6,211,236
	11,125,022	10,304,074
Staff costs (including emoluments of directors, supervisors and management (note 10)):		
Wages, salaries, crew expenses and related expenses (including bonus and share-based payments)	**2,449,706**	2,086,548
Costs for defined benefit plan (note 34)	**64,734**	12,560
Pension scheme contributions	**32,953**	54,098
Total staff costs	**2,547,393**	2,153,206
Auditor's remuneration	**6,749**	7,761
– Audit services	**6,400**	7,041
– Non-audit services	**349**	720
Depreciation of property, plant and equipment	**2,347,150**	2,180,734
Depreciation and amortization of right-of-use assets	**526,390**	–
Amortization of prepaid land lease payments	**–**	2,379
Dry-docking and repairs	**523,633**	305,787
Provision for impairment losses on trade receivables and contract assets	**1,244**	19,293
Provision for impairment losses on other receivables	**1,964**	2,508

9. INCOME TAX EXPENSE

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

	Note	For the year ended 31 December 2019 RMB'000	2018 RMB'000
Current income tax			
PRC	(i)		
– provision for the year		**229,954**	102,201
– adjustments for current tax of prior periods		**(544)**	(221)
Hong Kong			
– provision for the year		**944**	782
– adjustments for current tax of prior periods		**609**	28
Other districts	(ii)		
– provision for the year		**515**	296
		231,478	103,086
Deferred tax		**98,906**	16,571
Total income tax expense		**330,384**	119,657

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 2018: 25%) except for those entities with tax concession.

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

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	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**1,001,988**	413,063
Calculated at a tax rate of 25% (for the year ended 31 December 2018: 25%)	**250,497**	103,266
Adjustments for current tax of prior periods	**65**	(193)
Tax effect of share of profits of associates	**(70,170)**	(66,239)
Tax effect of share of profits of joint ventures and dividends received	**(77,059)**	(57,976)
Tax effect of income not subject to tax	**(1,518)**	(10,749)
Tax effect of expenses not deductible for tax	**18,535**	10,623
Tax effect of unused tax losses not recognized	**220,273**	144,580
Tax effect of temporary differences not recognized	**68,079**	(14,914)
Tax effect of utilization of tax losses previously not recognized	**(84,383)**	–
Different tax rates of subsidiaries operating in other jurisdictions	**6,065**	11,259
Income tax expense	**330,384**	119,657

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	
	2019	2018
	RMB'000	RMB'000
Independent non-executive directors (note 10(a))		
– fees	**1,050**	1,063
Executive and non-executive directors (excluded independent non-executive directors) (note 10(b))		
– salaries, allowances and benefits in kind	**1,256**	1,189
– discretionary bonus	**4,525**	3,394
– pension scheme contributions	**117**	110
– share-based payment expenses	**353**	–
	6,251	4,693
Supervisors (note 10(b))		
– salaries, allowances and benefits in kind	**1,560**	1,055
– discretionary bonus	**1,852**	1,158
– pension scheme contributions	**108**	100
	3,520	2,313
Senior management		
– salaries, allowances and benefits in kind	**3,429**	3,065
– discretionary bonus	**9,751**	7,376
– pension scheme contributions	**330**	325
– share-based payment expenses	**992**	–
	14,502	10,766
Total	**25,323**	18,835

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 2019, no share option was exercised.

Details and movements of share options are set out in note 35 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:

	Note	For the year ended 31 December 2019 RMB'000	2018 RMB'000
Mr. Wang Wusheng	(i)	**–**	13
Mr. Ruan Yongping		**150**	150
Mr. Ip Sing Chi		**300**	300
Mr. Rui Meng		**300**	300
Mr. Teo Siong Seng		**300**	300
		1,050	1,063

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 2018: 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	Share-based payments RMB'000	Total remuneration RMB'000
Year ended 31 December 2019							
Executive directors							
Mr. Liu Hanbo		–	639	2,252	56	188	3,135
Mr. Zhu Maijin	(i)	–	368	1,348	37	165	1,918
Mr. Lu Junshan	(ii)	–	249	925	24	–	1,198
		–	1,256	4,525	117	353	6,251
Non-executive directors							
Mr. Feng Boming		–	–	–	–	–	–
Mr. Zhang Wei		–	–	–	–	–	–
Ms. Lin Honghua		–	–	–	–	–	–
		–	–	–	–	–	–
Supervisors							
Mr. Yang Lei		–	–	–	–	–	–
Mr. Xu Yifei		–	883	975	54	–	1,912
Ms. An Zhijuan		–	677	877	54	–	1,608
Mr. Weng Yi		–	–	–	–	–	–
		–	1,560	1,852	108	–	3,520

Note:

(i) Appointed on 10 June 2019

(ii) Retired on 10 June 2019

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: (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
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

There were no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

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

(c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2018: Nil).

(d) Directors' termination payments or benefits

No payment was made or benefit provided to directors as compensation for the early termination of the appointment or in respect of termination of the services of directors during the year (2018: Nil).

(e) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by any third party for making available the services of a person as a director of a company, or in any other capacity while as a director (2018: Nil).

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the year (2018: Nil).

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one (for the year ended 31 December 2018: two) directors and no (for the year ended 31 December 2018: none) supervisor, details of whose emoluments are set out in note 10 to the consolidated financial statements. Details of the emoluments of the remaining four (for the year ended 31 December 2018: three) highest paid non-director and non-supervisor individuals for the year were as follows:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,696**	1,490
Discretionary bonus	**9,268**	3,993
Pension scheme contributions	**276**	166
Share-based payment expenses	**864**	–
	13,104	5,649

The emoluments of the four (for the year ended 31 December 2018: three) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals For the year ended 31 December	
	2019	2018
RMB1,759,400 to RMB2,199,250 (2018: RMB1,691,200 to RMB2,114,000) (equivalent to HKD2,000,000 to HKD2,500,000)	**–**	3
RMB2,199,251 to RMB2,639,100 (2018: RMB2,114,001 to RMB2,536,800) (equivalent to HKD2,500,001 to HKD3,000,000)	**4**	–
RMB2,639,101 to RMB3,078,950 (2018: RMB2,536,801 to RMB2,959,600) (equivalent to HKD3,000,001 to HKD3,500,000)	**–**	–

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 2018: RMBnil).

12. DIVIDENDS

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Final dividend for 2018 – RMB0.02 (31 December 2018: Final dividend for 2017 – RMB0.05) per share	**80,641**	201,602

Final dividend of RMB0.02 per share in respect of the year ended 31 December 2018 was approved by shareholders at the annual general meeting held on 10 June 2019 and a total amount of RMB80,641,000 was paid for the year ended 31 December 2019.

At the Board meeting held on 30 March 2020, the Directors proposed a final dividend of RMB190,508,000 representing RMB0.04 per share, in respect of the year ended 31 December 2019. 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 recognized as a liability at the end of the year.

13. 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 RMB413,857,000 (for the year ended 31 December 2018: profit of RMB74,679,000) and the weighted average number of ordinary shares of 4,032,033,000 (for the year ended 31 December 2018: 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 2019, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2019.

14. INVESTMENT PROPERTIES

As at 31 December 2019 and 31 December 2018, 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 2019 RMB'000	31 December 2018 RMB'000
At the beginning of the year	**21,286**	1,136,626
Transfer from/(to) property, plant and equipment	**23,473**	(1,115,972)
Net gain on revaluation recognized in other comprehensive income	**6,077**	–
Net (loss)/gain on revaluation recognized in profit or loss	**(122)**	632
At the end of the year	**50,714**	21,286

The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease. As at 31 December 2019 and 31 December 2018, the fair value of their investment properties is based on level 2 fair value hierarchy.

During the year, the Group reclassified some commercial building from property, plant and equipment to investment properties. The fair value of the investment properties as at 31 December 2019 and 31 December 2018 have been arrived at on the basis of a valuation carried out by independent valuers. 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.

15. 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 2019							
Cost							
At 1 January 2019	33,613	61,733,378	100,156	32,918	1,791,682	385,662	64,077,409
Additions	7,856	461,789	1,993	735	1,720	1,254,080	1,728,173
Transfer in/(out)	–	312,203	4,515	–	–	(316,718)	–
Transfer to investment properties	–	–	–	–	(27,124)	–	(27,124)
Disposals	–	–	(52,274)	(326)	–	–	(52,600)
Currency translation differences	46	612,483	70	10	–	4,051	616,660
At 31 December 2019	41,515	63,119,853	54,460	33,337	1,766,278	1,327,075	66,342,518
Accumulated depreciation and impairment							
At 1 January 2019	15,741	14,478,133	80,421	23,122	149,147	–	14,746,564
Charge for the year	13,028	2,267,814	6,657	2,258	57,393	–	2,347,150
Transfer to investment properties	–	–	–	–	(3,651)	–	(3,651)
Disposals	–	–	(52,222)	(313)	–	–	(52,535)
Currency translation differences	45	120,209	53	10	–	–	120,317
Impairment loss	–	23,779	–	–	–	–	23,779
At 31 December 2019	28,814	16,889,935	34,909	25,077	202,889	–	17,181,624
Net book amount							
At 31 December 2019	12,701	46,229,918	19,551	8,260	1,563,389	1,327,075	49,160,894
At 31 December 2018	17,872	47,255,245	19,735	9,796	1,642,535	385,662	49,330,845

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2018							
Cost							
At 1 January 2018	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	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	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	1,075	40,316,620	12,877	9,621	559,151	3,991,849	44,891,193

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2019, 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 2019 RMB'000	31 December 2018 RMB'000
Cost	**14,167,163**	18,361,943
Accumulated depreciation	**(1,706,684)**	(1,724,004)
Net carrying amount	**12,460,479**	16,637,939

Further details of the Group's operating lease arrangements as lessee are disclosed in note 17 to the consolidated financial statements.

As at 31 December 2019, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see note 31).

During the year, no interest expense (for the year ended 31 December 2018: RMB39,781,000) were capitalized in vessel costs.

16. 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 analyzed as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
At the beginning of the year	**74,842**	77,221
Adjustment for change in accounting policy (note 2.2)	**(74,842)**	–
Amortization for the year	**–**	(2,379)
At the end of the year	**–**	74,842

17. LEASE

This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Vessels	**2,329,921**	2,696,015
Prepaid land lease payments *	**72,463**	74,842
Properties	**12,316**	14,099
Motor vehicles	**53**	–
	2,414,753	2,784,956
Lease liabilities		
Current	**586,728**	518,849
Non-current	**2,145,306**	2,643,118
	2,732,034	3,161,967

* The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets for the year ended 31 December 2019 were RMB52,868,000.

17. LEASE (Continued)

(ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets		
Vessels	**519,386**	–
Properties	**4,573**	–
Prepaid land lease payments	**2,379**	–
Motor vehicles	**52**	–
	526,390	–
Interest expense (included in finance cost)	**118,019**	–
Expense relating to short-term leases	**14,251**	–

The total cash outflow for leases in 2019 was RMB661,108,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various buildings, vessels, and vehicles. Rental contracts are typically made for fixed periods of 2 years to 16 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

18. GOODWILL

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 Guangzhou Sanding Oil-Shipping Co., Ltd. of RMB58,168,000 (31 December 2018: 58,168,000) and COSCO PetroChina SHIPPING Co., Ltd. ("**COSCO PetroChina SHIPPING**") of RMB15,157,000 (31 December 2018: RMB15,157,000). That calculation uses cash flow projections based on the most recent financial budgets of 5 years approved by management, cash flows beyond the 5-year-on-year are extrapolated using nil growth rate, and a discount rate of 9.91% (31 December 2018: 9.99%). 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 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	**1,519,950**	1,528,406
Goodwill	**835,105**	835,105
	2,355,055	2,363,511

19. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2019, 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
			2019	2018	**2019**	2018	
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
COSCO Shipping Finance Co., Ltd. ("**CS Finance**")	The PRC/Limited liability company	RMB2,800,000,000	**11%**	11%	**11%**	11%	Banking and related financial services
Aquarius LNG Shipping Limited ("**Aquarius LNG**")	Hong Kong/Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering
Aries LNG Shipping Limited ("**Aries LNG**")	Hong Kong/Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Capricorn LNG Shipping Limited ("**Capricorn LNG**")	Hong Kong/Limited liability company	USD1,000	**27%**	27%	**30%**	30%	LNG vessel chartering
Gemini LNG Shipping Limited ("**Gemini LNG**")	Hong Kong/Limited liability company	USD1,000	**21%**	21%	**30%**	30%	LNG vessel chartering

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

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarized 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 2019 RMB'000	31 December 2018 RMB'000
Non-current assets	**1,870,366**	1,688,662
Current assets	**737,924**	895,197
Non-current liabilities	**(60,640)**	(42)
Current liabilities	**(259,310)**	(183,000)
Net assets	**2,288,340**	2,400,817
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**915,336**	960,327
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,750,441**	1,795,432

	2019 RMB'000	2018 RMB'000
For the year ended 31 December		
Revenues	**1,517,250**	1,305,378
Profit for the year	**492,042**	451,619
Other comprehensive loss	**(126)**	(753)
Total comprehensive income for the year	**491,916**	450,866
Dividends received from the associate	**240,000**	160,000

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:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**604,614**	568,079
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	**90,990**	95,597
Other comprehensive loss	**(17,478)**	(2,252)
Total comprehensive income for the year	**73,512**	93,345

20. INVESTMENTS IN JOINT VENTURES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	**2,709,852**	2,367,628
Goodwill	**477,105**	477,105
	3,186,957	2,844,733

20. INVESTMENTS IN JOINT VENTURES (Continued)

As at 31 December 2019, 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	Proportion of ownership interest, voting power and profit sharing attributable to the Group		Principal activities
			2019	2018	
China LNG Shipping (Holdings) Limited ("**CLNG**")	Hong Kong/Limited liability company	USD513,439,182 (2018: USD447,235,282)	**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%**	50%	Vessel holding
Arctic Orange LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Yellow LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Indigo LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding

20. INVESTMENTS IN JOINT VENTURES (Continued)

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

Summarized 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 2019 RMB'000	31 December 2018 RMB'000
Non-current assets	**8,184,523**	7,770,667
Current assets	**904,154**	760,104
Cash and cash equivalents	**895,880**	733,194
Other current assets	**8,274**	26,910
Non-current liabilities	**(3,353,406)**	(3,933,745)
Current liabilities	**(715,083)**	(217,735)
Net assets	**5,020,188**	4,379,291
Non-controlling interests	**(933,957)**	(894,054)
	4,086,231	3,485,237
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets	**2,043,116**	1,742,619
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint venture	**2,520,221**	2,219,724

For the year ended 31 December	**2019 RMB'000**	2018 RMB'000
Revenues	**1,214,262**	1,147,321
Profit for the year	**841,838**	524,795
Other comprehensive loss	**(253,073)**	(461)
Total comprehensive income for the year	**588,765**	524,334
Dividends received from the joint ventures	**173,494**	104,381

20. INVESTMENTS IN JOINT VENTURES (Continued)

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

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	666,736	625,009
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	86,084	62,997
Other comprehensive loss	(7,275)	–
Total comprehensive income for the year	78,809	62,997

21. LOAN RECEIVABLES

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans to associates	(i)	**405,757**	399,088
Loans to joint ventures	(ii)	**852,958**	1,061,276
		1,258,715	1,460,364
Less: current portion		**(27,786)**	(13,137)
Non-current portion		**1,230,929**	1,447,227

Note:

(i) As at 31 December 2019, loans to associates are unsecured, interest-bearing at approximately 3.70% to 4.43% over 3-month London Inter-bank Offered Rate ("**LIBOR**") (31 December 2018: approximately 3.60% to 4.51% over 3-month LIBOR) per annum and repayable in 2030 and 2031.

(ii) As at 31 December 2019 and 31 December 2018, loans to joint ventures are unsecured, interest-bearing at 3-month LIBOR plus 0.80% per annum, 3-month LIBOR plus 1.30% per annum and Euro Interbank Offered Rate plus 0.50% per annum and repayable within 20 years after the joint ventures' vessels construction projects are completed.

As at 31 December 2019 and 31 December 2018, 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 2019 RMB'000	31 December 2018 RMB'000
Listed equity investments in the PRC	**390,905**	262,782
Unlisted equity investments	**5,534**	5,496
	396,439	268,278

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

(b) Amounts recognized in profit or loss and other comprehensive income

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gain/(loss) recognized in other comprehensive income	**96,092**	(30,622)

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Adoption of HKFRS16	**Accelerated tax depreciation**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	49,906	–	49,906
(Charge)/credit to profit or loss	–	(2,352)	14	(2,338)
At 31 December 2018	–	47,554	14	47,568
Change in accounting policy (note 2.2)	67,405	–	–	67,405
At 1 January 2019	**67,405**	**47,554**	**14**	**114,973**
Charge to profit or loss	**(67,405)**	**(2,389)**	**(14)**	**(69,808)**
At 31 December 2019	**–**	**45,165**	**–**	**45,165**

23. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	Revaluation of investment properties	Fair value change on FVOCI	Unremitted earnings	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Charge to other comprehensive income	–	(10,207)	–	–	–	(10,207)
Transfer (out)/in	(177,794)	–	–	177,794	–	–
At 31 December 2018 and at 1 January 2019	2,168	58,374	54,186	246,510	4,584	365,822
Charge/(credit) to profit or loss	**(4,341)**	**–**	**38,128**	**(5,046)**	**357**	**29,098**
Credit to other comprehensive income	**1,519**	**32,031**	**–**	**–**	**–**	**33,550**
Transfer in/(out)	**5,092**	**–**	**–**	**(5,092)**	**–**	**–**
Exchange realignment	**–**	**–**	**–**	**–**	**6**	**6**
At 31 December 2019	**4,438**	**90,405**	**92,314**	**236,372**	**4,947**	**428,476**

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 2019 RMB'000	31 December 2018 RMB'000
Deferred tax assets	**45,165**	47,568
Deferred tax liabilities	**(428,476)**	(365,822)
	(383,311)	(318,254)

As at 31 December 2019, deferred tax asset in respect of tax losses of RMB3,507,288,000 (31 December 2018: RMB3,379,905,000), which will expire within five years, has not been recognized in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilized.

As at 31 December 2019, the unrecognized deferred income tax liabilities were RMB494,421,000 (31 December 2018: RMB637,141,000), 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 2019 amounted to RMB1,977,684,000 (31 December 2018: RMB2,548,565,000).

24. INVENTORIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bunker oil inventories	**546,171**	680,643
Ship stores and spare parts	**228,089**	246,204
	774,260	926,847

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade and bills receivables from third parties	**764,870**	606,607
Trade receivables from a joint venture	**132**	–
Trade receivables from fellow subsidiaries	**7,910**	10,077
Trade receivables from related companies (note)	**197,331**	165,588
	970,243	782,272
Less: allowance for doubtful debts (note 25(b))	**(32,561)**	(30,162)
	937,682	752,110
Current contract assets relating to oil shipment contracts	**473,262**	1,062,112
Less: allowance (note 25(b))	**(3,648)**	(4,644)
Total contract assets	**469,614**	1,057,468

Note: Related companies are entities that the fellow subsidiaries of the Company either have joint control or significant influence.

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 2019, trade and bills receivables and contract assets of RMB706,628,000 (31 December 2018: RMB1,148,022,000) are denominated in USD.

(a) As of the end of the year, 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 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	**619,775**	456,023
4 – 6 months	**124,636**	84,309
7 – 9 months	**68,726**	52,735
10 – 12 months	**47,863**	54,197
1 – 2 years	**63,443**	82,261
Over 2 years	**13,239**	22,585
	937,682	752,110

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 2019 or 31 December 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 2019 and 31 December 2018 was determined as follows for both trade receivables and contract assets:

31 December 2019	**Within 6 months RMB'000**	**7 – 12 months RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Expected loss rate	**1.35%**	**2.23%**	**18.09%**	**2.51%**
Gross carrying amount- trade receivables	**757,378**	**119,246**	**93,619**	**970,243**
Gross carrying amount- contract assets	**473,262**	**–**	**–**	**473,262**
Loss allowance	**16,615**	**2,657**	**16,937**	**36,209**

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

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

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
Loss allowance	5,263	4,521	25,022	34,806

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Trade receivables and Contract assets	
	31 December 2019 RMB'000	31 December 2018 RMB'000
At the beginning of the year	**34,806**	14,730
Impairment losses recognized	**1,244**	19,293
Exchange realignment	**159**	783
At the end of the year	**36,209**	34,806

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments	**99,201**	95,604
Deposits and other receivables	**368,924**	261,753
Due from fellow subsidiaries	**149,507**	260,201
Due from associates	**29,930**	14,633
Due from joint ventures	**110,505**	82,291
Due from related companies (note)	**66,964**	32,945
	825,031	747,427
Less: impairment of other receivables (note 26(a))	**(27,104)**	(24,706)
	797,927	722,721

Note: Related companies are entities that the fellow subsidiaries of the Company either have joint control or significant influence.

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 2019, financial assets included in prepayments, deposits and other receivables of RMB220,288,000 (31 December 2018: RMB94,678,000) 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:

	2019 **RMB'000**	2018 RMB'000
At the beginning of the year	**24,706**	21,503
Impairment losses recognized	**1,964**	2,508
Disposal of a subsidiary	**(26)**	–
Exchange realignment	**460**	695
At the end of the year	**27,104**	24,706

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 2019** **RMB'000**	31 December 2018 RMB'000
Pledged bank deposits	(i)	**861**	858
Balances placed with CS Finance	(ii)	**1,784,637**	1,267,596
Unpledged bank balances and cash		**2,134,863**	2,200,328
Cash and cash equivalents		**3,919,500**	3,467,924
Total bank deposits and cash and cash equivalents		**3,920,361**	3,468,782

Note:

(i) Pledged bank deposits were held as security for general banking facilities granted by banks to the Group (see note 31) and other bank guarantees

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

As at 31 December 2019, cash and cash equivalents of RMB2,468,743,000 (31 December 2018: RMB1,297,514,000) are denominated in USD.

28. TRADE AND BILLS PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade and bills payables to third parties	**1,204,403**	954,860
Trade payables to fellow subsidiaries	**699,865**	468,505
Trade payables to an associate	**5,860**	6,481
Trade payables to related companies (note)	**12,185**	24,590
	1,922,313	1,454,436

Note: Related companies are entities that the fellow subsidiaries of the Company either have joint control or significant influence.

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

As at 31 December 2019, trade and bills payables of RMB728,198,000 (31 December 2018: RMB193,532,000) are denominated in USD.

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	**1,239,218**	1,042,210
4 – 6 months	**276,028**	107,812
7 – 9 months	**51,804**	29,829
10 – 12 months	**68,396**	41,830
1 – 2 years	**69,741**	223,758
Over 2 years	**217,126**	8,997
	1,922,313	1,454,436

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

29. OTHER PAYABLES AND ACCRUALS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Other payables	**412,466**	372,209
Accruals	**342,918**	285,100
Due to ultimate holding company	**1,320**	373
Due to immediate holding company	**1,100**	1,100
Due to fellow subsidiaries	**224,370**	72,508
Due to an associate	**–**	6
Due to other related companies (note)	**78,609**	–
	1,060,783	731,296

Note: Related companies are entities that the fellow subsidiaries of the Company either have joint control or significant influence.

The amounts due to ultimate holding company, immediate holding company, fellow subsidiaries, an associate, and other related parties 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 2019, financial liabilities included in other payables and accruals of RMB250,746,000 (31 December 2018: RMB136,087,000) are denominated in USD.

30. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2019, the Group had interest rate swap agreements with total notional principal amount of approximately USD546,631,000 (equivalent to RMB3,813,407,000) (31 December 2018: approximately USD564,773,000 (equivalent to RMB3,939,969,000)) which will mature in 2031, 2032 and 2033 (31 December 2018: 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.

For the year ended 31 December 2019, the floating interest rates of the bank borrowings were 3-month LIBOR plus 2.20% (31 December 2018: 3-month LIBOR plus 2.20%).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) As at 31 December 2019 and 31 December 2018, details of the interest-bearing bank and other borrowings are as follows:

	Maturity	31 December 2019 RMB'000	31 December 2018 RMB'000
Current liabilities			
(i) Bank borrowings			
Secured	2020	**1,298,978**	1,302,590
Unsecured	2020	**5,022,864**	4,361,564
		6,321,842	5,664,154
(ii) Other borrowings			
Unsecured	2020	**2,233,000**	1,372,410
Interest-bearing bank and other borrowings – current portion		**8,554,842**	7,036,564
Non-current liabilities			
(i) Bank borrowings			
Secured	2021 to 2033	**15,124,697**	15,865,245
Unsecured	2021 to 2026	**2,057,979**	2,745,280
		17,182,676	18,610,525
(ii) Other borrowings			
Unsecured	2025	**142,850**	175,850
Interest-bearing bank and other borrowings – non-current portion		**17,325,526**	18,786,375

As at 31 December 2019, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2018: 44) vessels with total net carrying amount of RMB25,869,196,000 (31 December 2018: RMB25,528,346,000).

As at 31 December 2019, secured bank borrowings of RMB16,274,975,000 (31 December 2018: RMB16,991,135,000) and unsecured bank borrowings of RMB7,080,843,000 (31 December 2018: RMB7,106,844,000) are denominated in USD.

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

(b) As at 31 December 2019 and 31 December 2018, 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 2019			
Current portion			
Within one year	**6,321,842**	**2,233,000**	**8,554,842**
Non-current portion			
In the second year	**2,539,376**	**33,000**	**2,572,376**
In the third to fifth years, inclusive	**5,068,460**	**99,000**	**5,167,460**
Over five years	**9,574,840**	**10,850**	**9,585,690**
	17,182,676	**142,850**	**17,325,526**
	23,504,518	**2,375,850**	**25,880,368**
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

As at 31 December 2019, included in the current portion of other borrowings represent an amount of RMB1,000,000,000 (31 December 2018: RMB1,000,000,000) and RMB1,200,000,000 (31 December 2018: RMB339,410,000) which was borrowed from the Company's immediate holding company and ultimate holding company respectively.

32. OTHER LOANS

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Kantons International Investment Limited (“**Kantons International**”)	(i)	**743,050**	772,988
Mitsui O.S.K. Lines, Ltd. (“**MOL**”)	(ii)	**373,633**	388,125
Petrochina International Co., Limited (“**Petrochina International**”)	(iii)	**16,007**	15,972
		1,132,690	1,177,085
Less: current portion		**(43,443)**	(67,493)
Non-current portion		**1,089,247**	1,109,592

Note:

(i) As at 31 December 2019, other loans amounted to RMB45,500,000 (31 December 2018: RMB46,470,000) 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 2019, the loan is unsecured, interest-bearing at approximately 3.69% to 4.43% over 3-month LIBOR (31 December 2018: approximately 4.42% to 4.51% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2019, other loans amounted to RMB697,550,000 (31 December 2018: RMB726,518,000) 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 2019, 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 2018: 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 2019, 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 2019, 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 2018: 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 2019, 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 2019, the loan is unsecured, interest-bearing at approximately 3.69% to 3.73% over 3-month LIBOR (31 December 2018: approximately 3.60% to 3.70% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2019 and 31 December 2018, all other loans are denominated in USD.

33. BONDS PAYABLE

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
At the beginning of the year	**3,989,691**	3,985,777
Interest charge	**3,786**	3,914
Less: principal repayment	**(1,500,000)**	–
	2,493,477	3,989,691
Less: current portion	**–**	(1,498,439)
Non-current portion	**2,493,477**	2,491,252

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 2018 RMB'000	Repaid principal RMB'000	Unpaid interest RMB'000	**At 31 December 2019 RMB'000**
03 August 2012	10 years	1,500,000	1,487,100	1,494,624	–	1,405	**1,496,029**
29 October 2012	7 years	1,500,000	1,488,600	1,498,439	(1,500,000)	1,561	**–**
29 October 2012	10 years	1,000,000	992,400	996,628	–	820	**997,448**
		4,000,000	3,968,100	3,989,691	(1,500,000)	3,786	**2,493,477**

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.

34. EMPLOYEE BENEFITS PAYABLE

	31 December 2019 RMB'000	31 December 2018 RMB'000
Defined benefit plan payable	**203,474**	152,070
Termination benefit payable	**–**	1,570
	203,474	153,640
Less: current portion	**(15,975)**	(11,890)
Non-current portion	**187,499**	141,750

(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 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 recognized in the consolidated statement of financial position are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Present value of unfunded obligations	**203,474**	152,070
Less: current portion	**(15,975)**	(11,330)
Non-current portion	**187,499**	140,740

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

34. 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 2019 RMB'000	31 December 2018 RMB'000
At the beginning of the year	**152,070**	140,250
Remeasurement for the year	**(2,980)**	11,630
Benefits paid	**(10,350)**	(12,370)
Past service cost	**59,974**	7,180
Interest cost	**4,760**	5,380
At the end of the year	**203,474**	152,070

The weighted average duration of the defined benefit plan is 10.1 (31 December 2018: 10.2) years.

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Past service cost	**59,974**	7,180
Net interest on net defined benefit liability	**4,760**	5,380
Total amounts recognized in profit or loss	**64,734**	12,560
Actuarial (gain)/loss recognized in other comprehensive income	**(2,980)**	11,630
Total defined benefit costs	**61,754**	24,190

The past service cost and the net interest on net defined benefit liability totalling RMB64,734,000 (31 December 2018: RMB12,560,000) were recognized in the other expenses and administrative expenses for the year.

34. 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 2019	31 December 2018
Discount rate	**3.25% – 3.42%**	3.25%
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 2019 was based on the China Life Insurance Mortality Table 2010-2013-CL5/CL6 up 2 years 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 2019 RMB'000	31 December 2018 RMB'000
Increase in 0.5%	**(9,153)**	(7,420)
Decrease in 0.5%	**9,911**	8,090

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. SHARE CAPITAL

(a) Share capital

	2019		2018	
	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

(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 2019. 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 fulfillment 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.

The fair value of the share options granted under the 2018 Share Option Scheme as at 27 December 2018, the grant date, was RMB 39,006,000 using Black-Scholes valuation model.

35. SHARE CAPITAL (Continued)

(b) Share options (Continued)

Movements of the share options granted by the Company for the year ended 31 December 2019 is set out below:

			For the year ended 31 December 2019 Number of share options							
Category	Note	Exercise price RMB	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2019	Exercisable period
Directors	(i) (ii)	5.98*	950,000	-	-	416,000	-	(475,000)	891,000	28.12.2020-27.12.2025
Continuous contract employees	(i) (ii)	5.98	34,510,000	-	-	(416,000)	-	(3,265,000)	30,829,000	28.12.2020-27.12.2025
			35,460,000	-	-	-	-	(3,740,000)	31,720,000	

Note:

(i) No outstanding options were vested and exercisable as at 31 December 2019. 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 fulfillment 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%.

* The exercise price was adjusted from RMB 6.00 to RMB 5.98 on the Board meeting on 30 March 2020.

36. 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.

36. RESERVES (Continued)

(b) The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out as follows:

	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	FVOCI revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
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
Change in accounting policy	–	–		–	–	–	–	–	126	126
At 1 January 2019	**7,750,215**	**270,254**	–	**(1,796)**	**2,877,435**	**–**	**93,158**	**1,019**	**8,755,955**	**19,746,240**
Loss for the year	**–**	**–**	–	**–**	**–**	**–**	**–**	**–**	**(164,435)**	**(164,435)**
Dividends approved in respect of previous year	**–**	**–**	–	**–**	**–**	**–**	**–**	**–**	**(80,641)**	**(80,641)**
Accrual of safety fund reserve	**–**	**–**	–	**–**	**–**	**1,024**	**–**	**–**	**(1,024)**	**–**
Utilization of safety fund reserve	**–**	**–**	–	**–**	**–**	**(321)**	**–**	**–**	**321**	**–**
Fair value of share options granted	**–**	**–**	**12,561**	**–**	**–**	**–**	**–**	**–**	**–**	**12,561**
At 31 December 2019	**7,750,215**	**270,254**	**12,561**	**(1,796)**	**2,877,435**	**703**	**93,158**	**1,019**	**8,510,176**	**19,513,725**

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("**PRC GAAP**") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "**SSR**") until the SSR reaches 50% of the registered capital of the Company.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2019, before the proposed final dividend, the Company had reserve of RMB8,510,879,000 (31 December 2018: RMB8,755,829,000).

In addition, in accordance with the Company Law of the PRC, an amount of RMB7,750,215,000 (31 December 2018: 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.

36. RESERVES (Continued)

(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.

(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 recognized in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognized when incurred according to the respective accounting policy.

36. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(vii) General surplus reserve

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

(viii) Hedging reserve

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

(ix) FVOCI reserve

The FVOCI revaluation reserve comprises the cumulative net change in the fair value of FVOCI held at the end of the year.

(x) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(xi) Other reserve

The reserve arised from the acquisition of subsidiary under common control in April 2009.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS		
Investment properties	**170,421**	476,867
Property, plant and equipment	**2,587,951**	6,352,806
Right-of-use assets	**931**	–
Investments in subsidiaries	**17,418,777**	17,415,697
Investments in an associate	**300,000**	300,000
Investments in a joint venture	**1,884,027**	–
Loan receivables	**5,000,000**	–
	27,362,107	24,545,370
CURRENT ASSETS		
Current portion of loan receivables	**1,069,762**	4,000,000
Inventories	**33,780**	4,791
Contract assets	**14,608**	2,601
Trade and bills receivables	**7,061**	3,240
Prepayments, deposits and other receivables	**2,742,710**	2,640,091
Taxes recoverable	**–**	28,075
Cash and cash equivalents	**551,354**	474,634
	4,419,275	7,153,432

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**300,000**	140,000
Bonds payable	**2,493,477**	2,491,252
Employee benefits payable	**8,073**	–
Deferred tax liabilities	**189,123**	192,458
	2,990,673	2,823,710
CURRENT LIABILITIES		
Trade and bills payables	**337,390**	3,106
Other payables and accruals	**2,456,895**	2,255,851
Current portion of interest-bearing bank and other borrowings borrowing	**2,450,000**	1,339,410
Current portion of bonds payable	**–**	1,498,439
Current portion of lease liabilities	**527**	–
Taxes payable	**139**	139
	5,244,951	5,096,945
TOTAL LIABILITIES	**8,235,624**	7,920,655
EQUITY		
Share capital	**4,032,033**	4,032,033
Reserves	**19,513,725**	19,746,114
TOTAL EQUITY	**23,545,758**	23,778,147

38. 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	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**1,001,988**	413,063
Adjustments for:		
Finance costs	**1,419,627**	1,287,714
Interest income	**(103,782)**	(108,904)
Loss/(gain) on revaluation of investment properties, net	**122**	(632)
Loss on disposal of property, plant and equipment, net	**902**	73
Loss on impairment of property, plant and equipment	**23,779**	–
Net fair value gain on financial assets at FVPL	**–**	(661)
Dividends received from financial assets at FVOCI	**(10,850)**	(8,701)
Provision for impairment losses on trade receivables	**1,244**	19,293
Provision for impairment losses on other receivables	**1,964**	2,508
Depreciation of property, plant and equipment	**2,347,150**	2,180,734
Depreciation of right-of-use assets	**526,390**	–
Amortization of prepaid land lease payments	**–**	2,379
Share of profits of associates	**(287,807)**	(276,245)
Share of profits of joint ventures	**(427,085)**	(231,906)
Operating profit before working capital changes	**4,493,642**	3,278,715
Decrease/(increase) in inventories	**152,587**	(242,541)
Decrease/(increase) in trade and bills receivables and contract assets	**401,039**	(749,711)
(Increase)/decrease in prepayments	**(3,597)**	10,267
(Increase)/decrease in deposits and other receivables	**(199,302)**	287,797
Increase in amounts due from associates	**(15,297)**	(1,334)
Increase in amounts due from joint ventures	**(28,214)**	(540,586)
Decrease/(increase) in amounts due from fellow subsidiaries	**110,694**	(95,680)

38. 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	
	2019	2018
	RMB'000	RMB'000
Increase in amounts due from related companies	**(34,019)**	(130,746)
Increase in trade and bills payables	**467,877**	145,600
(Decrease)/increase in other payables	**(228,190)**	339,403
Increase in accruals	**62,793**	–
Increase in amount due to ultimate holding company	**947**	1,879
Decrease in amount due to immediate holding company	**–**	(16)
(Decrease)/increase in amount due to an associate	**(6)**	11
Decrease in amounts due to joint ventures	**–**	(10)
Increase in amount due to other related parties	**40**	–
Increase in amounts due to fellow subsidiaries	**101,862**	303
Increase/(decrease) in provision and other liabilities	**9,977**	(55,044)
Increase/(decrease) in employee benefits payable	**52,814**	(370)
Cash generated from operations	**5,345,647**	2,247,937
Income tax paid	**(115,285)**	(91,905)
Net cash generated from operating activities	**5,230,362**	2,156,032

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Derivative financial instruments (note 30) RMB'000	Lease liabilities (note 17) RMB'000	Interest-bearing bank and other borrowings (note 31) RMB'000	Other loans (note 32) RMB'000	Bonds payable (note 33) RMB'000	Total liabilities from financing activities RMB'000
At 31 December 2018	352,382	–	25,822,939	1,177,085	3,989,691	31,342,097
Recognized on adoption of HKFRS16	–	3,161,967	–	–	–	3,161,967
At 1 January 2019	352,382	3,161,967	25,822,939	1,177,085	3,989,691	34,504,064
Changes from financing cash flows:						
Interest paid	(50,517)	–	(1,057,813)	(58,676)	(189,683)	(1,356,689)
Increase in interest-bearing bank and other borrowings	–	–	6,986,513	–	–	6,986,513
Repayment of interest-bearing bank and other borrowings	–	–	(7,310,074)	–	–	(7,310,074)
Repayment of other loans	–	–	–	(69,700)	–	(69,700)
Repayment of bonds payable	–	–	–	–	(1,500,000)	(1,500,000)
Lease payment	–	(646,857)	–	–	–	(646,857)
	(50,517)	(646,857)	(1,381,374)	(128,376)	(1,689,683)	(3,896,807)
Other changes:						
Interest expenses	–	118,019	1,050,460	58,676	193,469	1,420,624
Increase in lease liabilities	–	52,868	–	–	–	52,868
Accrued interest expenses recorded in other payables and accruals	–	–	14,130	–	–	14,130
Net change in fair value	320,272	–	–	–	–	320,272
Currency translation differences	9,098	46,037	374,213	25,305	–	454,653
	329,370	216,924	1,438,803	83,981	193,469	2,262,547
At 31 December 2019	631,235	2,732,034	25,880,368	1,132,690	2,493,477	32,869,804

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Derivative financial instruments (note 30) RMB'000	Interest-bearing bank and other borrowings (note 31) RMB'000	Other loans (note 32) RMB'000	Bonds payable (note 33) 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. 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% (2018: 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 RMB33,024,000 (2018: RMB37,767,000).

(ii) Enterprise annuity scheme

In 2008, the representatives of the Group's Labor Union and the Board resolved to approve and adopt an enterprise annuity scheme. From 1 February 2018, pursuant to the annuity scheme the employer's contributions will be 8% of the total staff costs of the previous year. The employees' contributions will be 2% of their income from the previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as labor cost in 2019 amounted to RMB31,576,000 (2018: RMB15,680,000).

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 Mandatory Provident Fund Scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year amounted to RMB220,000 (2018: RMB229,000).

40. CONTINGENT LIABILITIES AND GUARANTEE

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

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

On 15 July 2011, the Company entered into four guaranteed leases (the "**Lease Guarantees**"). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the Four Associates with guarantee (1) for the Four Associates to fulfill their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB57,205,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

(b) At the 2014 seventh Board meeting, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Group for the Yamal LNG project (the "**Three Joint Ventures**"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited for the Three Joint Ventures, and provides owner's guarantees to the charterer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively.

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was 0. And the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB44,648,000).

40. CONTINGENT LIABILITIES AND GUARANTEE (Continued)

(c) Subsequent to the approval by shareholder 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 RMB2,633,516,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(d) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual generalmeeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single-vessel Companies with the amount of Euro4.5 million (equivalent to approximately RMB35,170,000). The guarantee period is limited to the lease period.

41. OPERATING LEASE ARRANGEMENTS

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 2018: 1 to 20) years.

As at 31 December 2019, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year	**1,698,413**	1,942,552
In the second to fifth years, inclusive	**5,451,682**	5,696,341
Over five years	**16,064,974**	17,670,129
	23,215,069	25,309,022

42. CAPITAL COMMITMENTS

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Authorized and contracted but not provided for:			
Construction and purchases of vessels	(i)	**6,156,464**	6,446,633
Project investments	(ii)	**–**	179,130
		6,156,464	6,625,763

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2020 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 RMB246,703,000 (31 December 2018: RMBnil). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,516,348,000 (31 December 2018: RMB2,565,694,000).

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The company is controlled by China Shipping and COSCO Shipping, the immediate parent company and the parent company, both of which are government-related enterprise established in the PRC. The PRC government indirectly controls COSCO Shipping and its subsidiaries. In accordance with HKAS (Revised), “Related Party Disclosure”, issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significant influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO Shipping and it its subsidiaries (other than the Group), other government related entities and their subsidiaries, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group’s significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and cash equivalents.

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 the consolidated 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.

	2019	2018
	RMB’000	RMB’000
Transactions with COSCO Shipping		
Revenues		
Rental income, including surcharge	**–**	7,650
Expense		
Interest expense	**18,415**	12,388
Transactions with China Shipping		
Expense		
Interest expense	**36,500**	36,500

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	2019 RMB'000	2018 RMB'000
Transactions with fellow subsidiaries and the related entities of COSCO Shipping		
Revenues		
Shipping services and ship charter services	**54,304**	36,405
Supply of fuel, shipping material, painting, spare part and ship equipment etc.	**30,950**	9,750
Electrical, telecommunication, ship repair and technical improvements services etc.	**1,101**	1,292
Rental income. Including surchage	**5,270**	4,040
Interest income from fellow subsidies	**–**	3,940
Miscellaneous services income	**557**	–
Expenses		
Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc.	**3,597,481**	3,440,498
Electrical, telecommunication, ship repair and technical improvements services etc.	**414,594**	229,342
Ship and related business insurance and insurance brokerage services	**83,439**	64,828
Ship and shipping agency services	**75,871**	70,155
Management service of sea crew	**1,388,719**	1,169,783
Rental expense	**4,513**	15,923
Miscellaneous services	**17,045**	11,861
Others		
Construction of vessels	**184,112**	50,293
Loss on disposal of a subsidiary	**7,926**	–
Transactions with joint ventures of the Group		
Revenues		
Interest income from joint ventures	**42,916**	27,369
Transactions with associates of the Group		
Revenues		
Interest income from associates	**44,379**	51,260
Rental income, including surcharge	**–**	1,844
Shipping services and ship charter services	**108,355**	111,450

43. 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 2019 and 31 December 2018, majority of the Group's bank balances and bank borrowings are with state-owned banks.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2019, 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		
				2019	2018	**2019**	2018	
COSCO SHIPPING Tanker (Shanghai) Co., Ltd.	The PRC/Limited liability company	RMB1,666,666,600	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("**Dalian Tanker**")	The PRC/Limited liability company	RMB6,378,152,557	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
Guangzhou 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%	**51%**	-	Oil transportation and vessel chartering
COSCO PetroChina SHIPPING	The PRC/Limited liability company	RMB496,067,600 (2018: RMB342,040,800)	Ordinary	**51%**	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

44. 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		
				2019	2018	**2019**	2018	
ELNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**70%**	70%	**-**	-	Investment holding
NLNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**90%**	90%	**-**	-	Investment holding
COSCO SHIPPING Tanker (Singapore) Pte. Ltd.	Singapore/Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
China Energy	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**-**	-	**51%**	51%	Investment holding
USA Tanker	The United States of America/Limited liability company	USD400,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services

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.

45. EVENTS AFTER THE BALANCE SHEET DATE

On 31 January 2020, the Office of Foreign Assets Control of the US Department of the Treasury removed Dalian Tanker, a direct wholly-owned subsidiary of the Group, from the Specially Designated Nationals and Blocked Persons List, according to a notice posted on the Treasury Department's website.

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

After the outbreak of Coronavirus Disease ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 outbreak, the Group will pay close attention to the development of the COVID-19 outbreak and evaluate the impact on its future financial position and operating results. As at the date on which the consolidated financial statements were authorized for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 outbreak.

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. Liu Hanbo
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 Certified Public Accountants and Registered PIE Auditor* 22/F, Prince's Building, Central, Hong Kong

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
	Paul Hastings 21-22/F Bank of China Tower, 1 Garden Road, 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:	http://energy.coscoshipping.com

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Liu Hanbo

Mr. Liu Hanbo, born in November 1959, holds a master's degree in engineering and is a senior economist. He is currently an executive director, the chairman, the chairman of Strategy Committee and Risk Control Committee of the Company, and a director of COSCO Shipping Captive Insurance Co., Ltd.. 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, the manager of COSCO Dalian Industries Development Company, the deputy general manager and the general manager of the Development Department and the 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, 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.

Zhu Maijin

Mr. Zhu Maijin, born in October 1970, graduated from Dalian Maritime University. He holds a master's degree in management and is a senior captain. Mr. Zhu is currently an executive director, a member of the Strategy Committee and the general manager of the Company. Mr. Zhu joined the company in July 1996, he served as the deputy general manager (acting general manager), the general manager of the maritime management department and the assistant to general manager of China Shipping Development Co., Ltd. Tanker Company, the vice general manager of China Shipping Tanker Company Limited and the general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

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. He is also an executive director and the chairman of the board of COSCO SHIPPING Ports Limited (stock code: 01199.HK), an 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 COSCO SHIPPING International (Hong Kong) Co., Ltd (stock code: 00517.HK), the director of COSCO Shipping Bulk Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Limited., COSCO Shipping Financial Holding Co., Ltd., COSCO Shipping Logistics Co., Ltd., COSCO SHIPPING Lines (North America), COSCO SHIPPING (Europe) GmbH, and Piraeus Port Authority S.A (listed in Greece, stock code PPA). Mr. Feng served as the deputy manager and the manager of commercial section of the liner division, and the deputy manager and the manager of the trade protection division of COSCO Container, the general manager of COSCO Container Hong Kong Mercury Co., Ltd., the general manager of management and administration department of COSCO Holdings Co., Ltd. (Hong Kong) and the general manager of administration department of COSCO Container Lines (Hong Kong) Co., Limited, the general manager of the Wuhan branch of COSCO Container China branch, the director of the strategic management implementation office of China Ocean Shipping (Group) Company, and the general manager of the strategic and corporate management division of China COSCO Shipping Corporation Limited. 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, a deputy general manager of COSCO SHIPPING Lines, a non-executive director of COSCO SHIPPING Ports Limited (stock code: 01199.HK), and the 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, the deputy manager of container transportation department, the deputy director of marketing department and the deputy general manager for Asia-Pacific trade zone of COSCO Container, the deputy general manager of business advisory development department of COSCO Container, the deputy general manager of Florens Container Services Company Limited and the executive vice president of Piraeus Container Terminal S.A. He was a non-executive director of COSCO SHIPPING Holdings Co. Ltd. (stock code: 601919.SH, 01919.HK) from December 2016 to April 2019. 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. Ms. Lin served as the deputy section chief, the deputy director and the director of planning and finance department of COSCO Group, the director of finance department of COSCO Group, the chief financial officer of COSCO Oceania Pty Ltd., the chief auditor of finance department of China Ocean Shipping (Group) Company, etc. She was a director of Lanhai Medical Investment Co., Ltd. (stock code: 600896.SH) from September 2016 to May 2017, a director of COSCO SHIPPING Specialized Carriers Co., Ltd. (stock code: 600428.SH) from May 2013 to October 2016, and a supervisor of China National Nuclear Power Co., Ltd. (stock code: 601985.SH) from April 2015 to December 2018. Ms. Lin joined the company in September 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ruan Yongping

Mr. Ruan Yongping, born in September 1973, is a Doctor, 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 the Nomination Committee, the Remuneration and Appraisal Committee and the Risk Control 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 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, head of Corporate Finance Research Institute, and the financial accreditation expert of the National Innovation Fund. Mr. Ruan is currently an independent director of Shanghai Yaoji Playing Card Co., Ltd. (stock code: 002605.SZ) and Zhejiang Rongsheng Paper Industry Holding Co., Ltd. (stock code: 603165.SH). He was an independent director of SHANGHAI CIMIC TILES CO., LTD. (stock code: 002162.SH) from June 2011 to May 2017, an independent director of Guangzhou Zhiguang Electric Co., Ltd. (stock code: 002169.SZ) from November 2011 to December 2018. 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, 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 Pte. Limited (listed in Singapore, stock code: NS8U), a non-executive director of Orient Overseas (International) Limited (stock code: 00316.HK), an independent non-executive director of Piraeus Port Authority S.A. (listed in Greece, stock code PPA), and an 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, 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). He was an independent non-executive director of COSCO SHIPPING Ports Limited (stock code: 01199.HK) from November 2012 to October 2016. 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 the Strategy Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Risk Control 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 the Director of Ph.D. Programme and the Director of CEIBS Center for Wealth Management. He is an independent director of SGSB Group Co., Ltd. (stock code: 600843.SH), Winner Information Technology Co., Inc. (stock code: 300609.SZ), and Landsea Green Properties Co., Ltd. (stock code: 00106.HK), 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 Company 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 a Certified Financial Analyst (CFA) and a 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, the 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, a 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, 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 Audit 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 (stock code: 00716.HK), an independent non-executive director of Keppel Corporation Limited (stock code: BN4. SGX), an independent non-executive Director of Wilmar International Limited (stock code: F34. SGX), and an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. (stock code: 601919.SH, 01919.HK). He is an 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 the president of Singapore Shipping Association. Mr. Teo is currently the chairman of the Singapore Business Federation, the honorary consul of the United Republic of Tanzania in Singapore, the director of Business China, the industrial consultant of Joint Implementation Committee of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, the chairman of the China-Singapore Connectivity (Chongqing) Logistics Development Co., Ltd. and the 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 the supervisory committee of the Company, the safety director and general manager of the safety management department of China COSCO Shipping Corporation Limited, the chairman of the supervisory committee of COSCO SHIPPING Bulk Co., Ltd., and the director of COSCO SHIPPING Ferry Co., Ltd. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., the deputy chief of the sailing department and the deputy chief of the shipping department of China Shipping Development Co., Ltd. Tramp Co., the deputy director of the shipping department of China Shipping Group Company Limited, the general manager of Zhuhai New Century Shipping Company Limited, the deputy general manager of China Shipping Development Co., Ltd. Tramp Co., the general manager of the shipping department and the general manager of the operation department of China Shipping Group Company Limited and a chief captain of China Shipping Group Company Limited.

Yang Lei

Mr. Yang Lei, born in December 1971, is a Bachelor of Laws and 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 the 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 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 the 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 Supervisor of the Company since July 2016.

An Zhijuan

Ms. An Zhijuan, born in April 1978, a political engineer, has 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 served as the 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

Zhu Maijin

Mr. Zhu Maijin, born in October 1970, graduated from Dalian Maritime University. He holds a master's degree in management and is a senior captain. Mr. Zhu is currently an executive director, a member of Strategy Committee and the general manager of the Company. Mr. Zhu joined the company in July 1996, he served as the deputy general manager (acting general manager), the general manager of the maritime management department and the assistant to general manager of China Shipping Development Co., Ltd. Tanker Company, the vice general manager of China Shipping Tanker Company Limited and the general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Qin Jiong

Mr. Qin Jiong, born in September 1968, has a college degree and is a marine captain. He is now a deputy general manager of the Company. Mr. Qin was formerly a marine captain of Shanghai Maritime Bureau, the deputy general manager of Container Transport Division I and the 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, the 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., the general manager of the Operation Management Department of China Shipping Group Company Limited. Mr. Qin joined the Company as deputy general manager in March 2016.

Xiang Yongmin

Mr. Xiang Yongmin, born in July 1962, has a colleague degree and holds a Master's Degree in Engineering and is also an accountant. He is now the chief financial officer of the Company, and the director of COSCO SHIPPING West Asia FZE and COSCO Shipping Finance Co., Ltd.. Mr. Xiang was formerly the deputy section chief of the Settlement Section of Finance Department of Dalian Ocean Shipping Company, 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 a member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. Xiang was the 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 a captain of oil tankers, the head of maritime section, the assistant to general manager and the deputy general manager of China Shipping Development Company Limited Tanker Company — (Guangzhou Branch). He was appointed as 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 the vice general manager of China Shipping Tanker Company Limited in May 2012. Mr. Luo was appointed as 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 a ship's chief engineer, the manager of Ship Technology Section of Security Technology Department, the deputy general manager and the general manager of Security Technology Department of Dalian Ocean Shipping Company Limited. He was also the former general manager assistant, the vice general manager and a member of the Party Committee of Dalian Ocean Shipping Company Limited. Mr. Zhao joined the Company as deputy general manager in June 2016.

Yu Bozheng

Mr. Yu Bozheng, born in August 1964, holds a Bachelor's Degree and is an senior chief engineer. He is now a deputy general manager of the Company. Mr. Yu joined the Company in July 1987, and he served as the deputy general manager, the general manager of the maritime management department of China Shipping Development Co., Ltd. Tanker Company, the assistant to general manager, the vice general manager of China Shipping Tanker Company Limited and the vice general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Li Zhuoqiong

Ms. Li Zhuoqiong, born in October 1973, graduated from Dalian Maritime University with a Master's Degree in International Law and is also a senior economic engineer. She is now a deputy general manager, 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 the general manager of Strategy and Enterprise Management Department of the Company from June 2016 to March 2017.

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

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