

INTERIM REPORT  
2020



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

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

(Hong Kong Stock Exchange Stock Code: 1138)  
(Shanghai Stock Exchange Stock Code: 600026)

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# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. THE MAIN BUSINESSES, OPERATING MODEL OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD. (THE “COMPANY”, AND TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”) AND CONDITIONS OF THE INDUSTRY DURING THE SIX MONTHS ENDED 30 JUNE 2020 (THE “REPORTING PERIOD”)

The Group is mainly engaged in international and domestic coastal shipping of crude and product oil, international liquefied natural gas (“LNG”) transportation and international chemical transportation.

In terms of fleet size, the Group is the world’s largest oil tanker owner. As of 30 June 2020, the Group owned and controlled 152 oil tankers with a total capacity of 22.17 million Dead Weight Tons (“DWT”), including 142 self-owned oil tankers with a capacity of 19.42 million DWT, 10 chartered-in oil tankers with a capacity of 2.75 million DWT, as well as 15 oil tankers in order with a capacity of 2.87 million DWT. The Group is also a leading player in the coastal crude oil and product oil transportation industry in the People’s Republic of China (the “PRC” or “China”). 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 solutions 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 logistics costs and therefore realize win-win cooperation.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

The Group is a leader in China’s LNG shipping business and an important participant in the world’s LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. (“Shanghai LNG”), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited (“CLNG”), in which the Group holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As of 30 June 2020, the Group had a total of 41 jointly-invested LNG vessels, including 36 LNG vessels in operation with capacity of 6.08 million cubic metres and 5 LNG vessels under construction with aggregate capacity of 870,000 cubic metres.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

All of the 41 LNG carriers the Group currently invests in are project vessels, which means that they are all bound to particular LNG projects with long-term time charters signed with project parties, and hence generate stable income. In recent years, as the LNG carriers, of which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

#### (1) International oil shipping market

In the first half of 2020, the international tanker market underwent a boom and bust driven by multiple extraordinary factors, while the overall tanker supply and demand dynamics improved significantly year on year.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (2) Domestic oil shipping market

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

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

### (3) LNG Shipping Market

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (1) Revenues from Principal Operations

For the six months ended 30 June 2020, overall details of the Group's principal operations by products transported and geographical regions were as follows:

#### Principal Operations by Products Transported

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Principal Operations by Geographical Regions

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

### Transportation volume by product types

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (2) Shipping business – Oil Shipping

International oil shipping business:

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

- (1) We closely evaluated the market dynamics and adopted approaches such as arranging short-haul routes as an interim measure and adjusting drydocking schedules to maintain a higher proportion of available tonnage, while deploying vessels effectively during periods of positive market sentiment by thoughtfully allocating the proportion of long- and short-haul voyages to secure operating efficiency.
- (2) We entered into COA contracts with key customers from South America to build up our cargo profile for long-haul VLCC routes, diversified the mix of VLCC routes, and opened new Aframax routes from Canada to China and from the US Gulf to Europe to enrich our operational strategies and expand our global footprint.
- (3) We actively engaged in integrated voyages connecting domestic and international trade maximizing overall efficiency. In the first half of 2020, the Group closely monitored both the domestic and international tanker markets and flexibly adjusted tonnage deployment, completing a total of 34 integrated domestic-international shipments.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Domestic oil shipping business:

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

- (1) We overcame the adverse impact of the COVID-19 epidemic and provided customers with refined services to safeguard domestic oil shipping and consolidate our market share. During the peak of the epidemic in February and March, the coastal crude shipping revenue of the Group managed to stay comparable to the average of previous years, and the Group's market share of domestic oil shipping remained at approximately 55%.
- (2) We entered into new COA contracts with key customers of product tanker business to acquire cargoes that would allow better operational performance. Meanwhile, we fully leveraged the business synergy with COSCO PetroChina SHIPPING Co., Ltd. and boosted the operational efficiency of our vessels during the market recovery in the second quarter, achieving a turnaround from the depression in the first quarter.

### LNG shipping business:

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

- (1) As at the end of June 2020, the Group had a total of 36 jointly-invested project LNG carriers in operation, amounting to a year-on-year increase of 6 vessels, further supporting the segment performance.
- (2) On 30 June 2020, COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, jointly entered into a ship building contract and a time charter contract with PetroChina International Co., Limited, Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. and China Shipbuilding Trading Co., Ltd. regarding 3 large LNG carriers of 174,000 cubic metres capacity. Through the project, the Group collaborated with reputable cargo owners and shipyards in shaping an ecosystem of LNG industry chain that promotes shared prosperity and further elevates our business stability and anti-cyclical resilience.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 4. COST AND EXPENSES ANALYSIS

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 5. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

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

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 6. FINANCIAL ANALYSIS

### (1) Net cash generated from operating activities

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

### (2) Capital commitments

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

Note:

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (3) Capital Structure

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

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (4) Trade and bills receivables and contract assets

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

### (5) Trade and bills payables

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

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

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

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

### (6) Derivative financial instruments

As at 30 June 2020, the Group had interest rate swap agreements with total notional principal amount of approximately USD537,195,000 (equivalent to approximately RMB3,803,072,000) (31 December 2019: approximately USD546,631,000, equivalent to approximately RMB3,813,407,000) which will mature in 2031, 2032 and 2033 (31 December 2019: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the Reporting Period, the floating interest rates of the bank borrowings were 3-month London Inter-bank Offered Rate ("LIBOR") plus 2.20% (six months ended 30 June 2019: 3-month LIBOR plus 2.20%).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (7) Interest-bearing bank and other borrowings

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (8) Bonds payable

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

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

### (9) Contingent liabilities and guarantee

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

<b>Company name</b>	<b>Charterer</b>
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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB58,052,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

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

As at 31 December 2019, the Company’s guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. And the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB45,309,000).

- (iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “Banks”), to the extent of amount of USD377.5 million (equivalent to approximately RMB2,672,511,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company’s indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.
- (iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited (the “Four Single-vessel Companies”). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner’s guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB35,825,000). The guarantee period is limited to the lease period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (10) Foreign exchange risk management

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

### (11) Interest rate risk management

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

The Group’s exposures to interest rate risk also arises from its borrowings. Loan receivables and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Management monitors the capital market conditions and certain interest rate swap agreements with banks have been used to achieve optimal ratio between fixed and floating rates borrowings.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 7. FLEET EXPANSION PROJECTS

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 8. EPIDEMIC PREVENTION AND CONTROL

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

### 9. OUTLOOK AND HIGHLIGHTS FOR SECOND HALF OF 2020

#### (1) Competitive landscape and development trends in the industry

##### International Oil Shipping Market

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Domestic Tanker Market

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

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

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

### LNG Transportation Market

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (2) Highlights for the second half of 2020

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

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

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

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

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 10. OTHER MATTERS

### (1) Changes in Directors, supervisors (the “Supervisors”) and senior management of the Company

1. Resignation of Mr. Feng Boming (馮波鳴) (“Mr. Feng”) as a non-executive Director and a member of the strategy committee of the Company (the “Strategy Committee”)

Mr. Feng tendered his resignation as a non-executive Director and a member of the Strategy Committee of the Company due to a change in work allocation, with effect from 22 June 2020.

2. Resignation of Mr. Zhang Wei (張煒) (“Mr. Zhang Wei”) as a non-executive Director and a member of the Strategy Committee

Mr. Zhang Wei tendered his resignation as a non-executive Director and a member of the Strategy Committee of the Company due to a change in work allocation, with effect from 22 June 2020.

3. Resignation of Ms. Lin Honghua (林紅華) (“Ms. Lin”) as a non-executive Director and a member of the Strategy Committee

Ms. Lin tendered his resignation as a non-executive Director and a member of the Strategy Committee of the Company due to a change in work allocation, with effect from 22 June 2020.

4. Retirement of Mr. Ruan Yongping (阮永平) (“Mr. Ruan”) as an independent non-executive Director, the chairman of the audit committee (the “Audit Committee”) and a member of each of the nomination committee (the “Nomination Committee”), the remuneration and appraisal committee (the “Remuneration and Appraisal Committee”) and the risk control committee (the “Risk Control Committee”) of the Company

Mr. Ruan tendered his retirement as an independent nonexecutive Director, the chairman of the audit committee and a member of each of the Nomination Committee, the Remuneration and Appraisal Committee and the Risk Control Committee due to expiration of his term of appointment as an independent non-executive Director, with effect from 22 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

5. Retirement of Mr. Ip Sing Chi (葉承智) (“Mr. Ip”) as an independent non-executive Director, the chairman of Remuneration and Appraisal Committee and a member of the Strategy Committee and the Nomination Committee

Mr. Ip tendered his retirement as an independent non-executive Director, the chairman of Remuneration and Appraisal Committee and a member of the Strategy Committee and the Nomination Committee due to expiration of his term of appointment as an independent non-executive Director, with effect from 22 June 2020.

6. Appointment of Mr. Zhang Qinghai (張清海) (“Mr. Zhang”) as a non-executive Director

At the annual general meeting of the Company held on 22 June 2020 (the “AGM”), the appointment of Mr. Zhang as a non-executive Director and a member of the Strategy Committee was approved by the shareholders of the Company.

7. Appointment of Mr. Liu Zhusheng (劉竹聲) (“Mr. Liu”) as a non-executive Director

At the AGM, the appointment of Mr. Liu as a non-executive Director and a member of the Strategy Committee was approved by the shareholders of the Company.

8. Appointment of Mr. Victor Huang (黃偉德) (“Mr. Huang”) as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee

At the AGM, the appointment of Mr. Huang as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee was approved by the shareholders of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

9. Appointment of Mr. Li Runsheng (李潤生) (“Mr. Li”) as an independent non-executive Director, the chairman of Remuneration and Appraisal Committee and a member of the Strategy Committee and the Nomination Committee

At the AGM, the appointment of Mr. Li as an independent non-executive Director, the chairman of Remuneration and Appraisal Committee and a member of the Strategy Committee and the Nomination Committee was approved by the shareholders of the Company.

10. Resignation of Mr. Liu Hanbo (劉漢波) (“Mr. Liu Hanbo”) as the chairman of the Risk Control Committee of the Company

Mr. Liu Hanbo no longer served as the chairman but remain as a member of the Risk Control Committee of the Company due to a change in work allocation, with effect from 22 June 2020.

11. Appointment of Mr. Zhao Jingsong (趙勁松) (“Mr. Zhao”) as a non-executive Director, the chairman of the Risk Control Committee and a member of the Strategy Committee

At the AGM, the appointment of Mr. Zhao as a non-executive Director, the chairman of the Risk Control Committee and a member of the Strategy Committee was approved by the shareholders of the Company.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (2) Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 June 2020, 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 person (other than Directors, Supervisors 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 Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO"), or the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") were as follows:

Name of substantial shareholders	Class of shares <sup>(1)</sup>	Number of shares interested <sup>(1)</sup>	Approximate percentage of the total number of shares of the relevant class <sup>(2)</sup>	Approximate percentage of the total number of issued shares <sup>(2)</sup>
China Shipping <sup>(3)</sup>	A	1,554,631,593(L)	44.84%	32.64%
COSCO Shipping <sup>(4)</sup>	A	2,156,350,790(L)	62.20%	45.28%
GIC Private Limited <sup>(5)</sup>	H	143,934,000(L)	11.11%	3.02%
M&G Plc <sup>(6)</sup>	H	80,069,600(L)	6.18%	1.68%
Prudential plc <sup>(7)</sup>	H	65,188,000(L)	5.03%	1.37%

Notes:

- (1) A – A Shares  
H – H Shares  
L – Long position

- (2) As at 30 June 2020, the total issued share capital of the Company was 4,762,691,885 shares, of which 1,296,000,000 were H Shares and 3,466,691,885 were A Shares.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (3) As at 30 June 2020, 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-CGB-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 30 June 2020, representing 32.64% of the total number of shares of the Company.
- (4) China COSCO SHIPPING Corporation Limited (“COSCO Shipping”) directly holds 601,719,197 A Shares, representing approximately 12.63% of the total issued share capital of the Company. COSCO Shipping is the sole shareholder of China Shipping and therefore, COSCO Shipping, by itself and through its subsidiaries, is interested in 2,156,350,790 Shares in aggregate.
- (5) As at 30 June 2020, 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.
- (6) As at 30 June 2020, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, M&G Plc, through various subsidiaries, had an interest in the H Shares, of which 80,069,600 H Shares (long position) were held in its capacity as interest of corporation controlled by it.
- (7) As at 30 June 2020, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Prudential plc, through various subsidiaries, had an interest in the H Shares, of which 65,188,000 H Shares (long position) were held in its capacity as interest of corporation controlled by it.

Save as disclosed above, as at 30 June 2020, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (3) Directors' and Supervisors' interests in contracts

As at 30 June 2020 or during the Reporting Period, none of the Directors or Supervisors, or an entity connected with a Director or a Supervisor, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

### (4) Incentive Scheme

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

Details of movement of the options granted under the Incentive Scheme for the year ended 30 June 2020 and up to the date of this report were as follows:

Name or category of participants	Number of options					As at the date of this report	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
	As at 1 January 2020	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year					
Liu Hanbo (Director)	475,000	-	-	-	-	475,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.98 <sup>(3)</sup>
Zhu Maijin (Director)	416,000	-	-	-	-	416,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.98 <sup>(3)</sup>
Sub-total	<u>891,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>891,000</u>				
Other management and core technical personnel (131 participants)	34,569,000	-	-	-3,740,000 <sup>(3)</sup>	-	30,829,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.98 <sup>(3)</sup>
Sub-total	<u>34,569,000</u>	<u>-</u>	<u>-</u>	<u>-3,740,000<sup>(3)</sup></u>	<u>-</u>	<u>30,829,000</u>				
Total	<u><u>35,460,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-3,740,000<sup>(3)</sup></u></u>	<u><u>-</u></u>	<u><u>31,720,000</u></u>				

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (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 RMB6.00 to RMB5.98 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.

As of 30 June 2020, 12 participants with a total of 3.74 million share options were invalid due to retirement, resignation, etc., and the number of participants of the Incentive Scheme was adjusted to 121 from 133, while the number of share options was adjusted to 31,720,000 from 35,460,000. Due to the payment of the Company's final dividend before option exercise, a cash dividend of RMB0.02 per share was distributed to holders of the A shares on June 27, 2019 as the date of record, the exercise price of the share options granted to the participants under the Incentive Scheme has been adjusted accordingly from RMB6.00 per share to RMB5.98 per share. Relevant issues have been reviewed and approved by the Company's 2020 second Board meeting on 30 March 2020.

Except for the above, the company's Incentive Scheme has no other adjustments during the Reporting Period.

### **(5) Directors', Supervisors' and chief executives' interests and short positions in shares, underlying shares or debentures of the Company**

As at 30 June 2020, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- a. Long positions in the shares, underlying shares or debentures of the Company:

Name of Director	Nature of interest	Class of shares <sup>(1)</sup>	Number of shares interested <sup>(2)</sup>	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”) <sup>(3)</sup>	Beneficial owner	A	475,000(L)	0.01370%	0.00997%
Zhu Maijin (“Mr. Zhu”) <sup>(4)</sup>	Beneficial owner	A	416,000(L)	0.01200%	0.00873%
Zhao Jinsong	Beneficial owner	H	6,000(L)	0.00046%	0.00013%

Notes:

(1) A – A Shares

H – H 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- b. Long positions in the shares, underlying shares or debentures of associated corporations of the Company:

Name of associated corporation	Name of Director	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant class 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. 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. 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. 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 30 June 2020, 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 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 Hong Kong Stock Exchange pursuant to the Model Code.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (6) Directors' and Supervisors' rights to acquire shares or debentures

Save for the abovementioned share options granted under the Incentive Scheme to Mr. Liu and Mr. Zhu on 27 December 2018, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or Supervisor or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement which enables the Directors or Supervisors to acquire such rights in any other body corporate.

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

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

### (8) Compliance with the Corporate Governance Code

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

The Company has established five special committees under the Board, including the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee, the Nomination Committee and the Risk Control Committee with defined terms of reference.

During the Reporting Period, save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (9) Audit Committee

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

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

### (10) Remuneration and Appraisal Committee

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

### (11) Nomination Committee

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

### (12) Strategy Committee

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (13) Risk Control Committee

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

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

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

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

### (15) Employees

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (16) Investor Relations

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

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

### (17) Completion of The Proposed Non-Public Issuance of A Shares

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

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

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

- (1) Class of Shares: A Shares
- (2) Nominal value per Share: RMB1.00
- (3) Number of Shares issued: 730,659,024 A Shares

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (4) Issue price: RMB6.98 per A Share
- (5) Net price: Approximately RMB6.95 per A Share
- (6) Market price of A Shares on the price determination date (being March 4, 2020): RMB5.88 per A Share
- (7) Gross proceeds: RMB5,099,999,987.52
- (8) Costs of the issuance: RMB23,993,881.71 (taking into account the deduction of value-added tax: RMB23,126,594.94)
- (9) Net proceeds: RMB5,076,006,105.81

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Details of the usage of the proceeds raised:

unit: RMB million

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

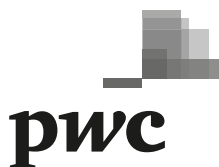
### (18) Events After the Reporting Period

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

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

Shanghai, the PRC  
27 August 2020

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



羅兵咸永道

**To the Board of Directors of COSCO SHIPPING Energy Transportation Co., Ltd.**  
(Incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 45 to 96, which comprises the interim condensed consolidated statement of financial position of COSCO SHIPPING Energy Transportation Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 August 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020	2019
		(Unaudited) RMB'000	(Unaudited) RMB'000
Revenues	6	9,669,499	7,058,637
Operating costs		<u>(6,001,948)</u>	<u>(5,671,112)</u>
Gross profit		3,667,551	1,387,525
Other income and net gains	7	27,984	63,515
Marketing expenses		(14,806)	(11,626)
Administrative expenses		(286,551)	(288,085)
Net impairment losses on financial and contract assets		(12,540)	(17,219)
Other expenses		(20,000)	(30,667)
Share of profits of associates		176,830	150,989
Share of profits of joint ventures		321,747	180,983
Finance costs	8	<u>(566,137)</u>	<u>(738,073)</u>
<b>Profit before tax</b>	9	3,294,078	697,342
Income tax expense	10	<u>(199,785)</u>	<u>(87,532)</u>
<b>Profit for the period</b>		<u>3,094,293</u>	<u>609,810</u>
<b>Other comprehensive loss</b>			
<i>Item that will not be reclassified to profit or loss, net of tax:</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(27,723)	83,428
<i>Items that may be reclassified to profit or loss, net of tax:</i>			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		113,888	22,996
Net loss on cash flow hedges		(474,172)	(268,459)
Hedging gain reclassified to profit or loss		49,774	21,383
Share of other comprehensive (loss)/income of associates		(4,712)	3,828
Share of other comprehensive loss of joint ventures		(91,159)	(110,501)
Disposal of investment properties		<u>(4,558)</u>	<u>–</u>
<b>Other comprehensive loss for the period</b>		<u>(438,662)</u>	<u>(247,325)</u>
<b>Total comprehensive income for the period</b>		<u>2,655,631</u>	<u>362,485</u>

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

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		2,954,736	470,332
Non-controlling interests		139,557	139,478
<b>Profit for the period</b>		<b>3,094,293</b>	<b>609,810</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		2,786,501	328,274
Non-controlling interests		(130,870)	34,211
		<b>2,655,631</b>	<b>362,485</b>
<b>Earnings per share</b>	11		
– Basic (RMB cents/share)		67.19	11.66
– Diluted (RMB cents/share)		67.17	11.66

The notes on pages 53 to 96 form an integral part of this interim condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		10,485	50,714
Property, plant and equipment	13	49,414,691	49,160,894
Right-of-use assets	14	2,158,517	2,414,753
Goodwill		73,325	73,325
Investments in associates	15	2,679,936	2,355,055
Investments in joint ventures	16	3,263,188	3,186,957
Loan receivables	17	1,165,474	1,230,929
Financial assets at fair value through other comprehensive income	18	355,712	396,439
Deferred tax assets	19	43,970	45,165
		<b>59,165,298</b>	<b>58,914,231</b>
<b>CURRENT ASSETS</b>			
Current portion of loan receivables	17	16,731	27,786
Inventories	20	797,267	774,260
Contract assets	21	1,005,907	469,614
Trade and bills receivables	21	1,333,803	937,682
Prepayments, deposits and other receivables	22	1,298,738	797,927
Pledged bank deposits	23	861	861
Cash and cash equivalents	23	7,218,092	3,919,500
		<b>11,671,399</b>	<b>6,927,630</b>
<b>TOTAL ASSETS</b>		<b>70,836,697</b>	<b>65,841,861</b>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

	Note	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Provision and other liabilities		25,445	25,297
Derivative financial instruments	24	1,067,849	631,235
Interest-bearing bank and other borrowings	25	15,712,842	17,325,526
Other loans	26	1,084,287	1,089,247
Bonds payable	27	2,494,625	2,493,477
Employee benefits payable		184,344	187,499
Lease liabilities	14	2,018,583	2,145,306
Deferred tax liabilities	19	443,689	428,476
		<b>23,031,664</b>	<b>24,326,063</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	28	1,592,573	1,922,313
Other payables and accruals	29	1,029,423	1,060,783
Contract liabilities		18,215	28,704
Dividends payable	12	190,508	–
Current portion of interest-bearing bank and other borrowings	25	7,750,639	8,554,842
Current portion of other loans	26	43,286	43,443
Current portion of employee benefits payable		13,245	15,975
Current portion of lease liabilities	14	470,366	586,728
Taxes payable		125,108	135,404
		<b>11,233,363</b>	<b>12,348,192</b>
<b>TOTAL LIABILITIES</b>		<b>34,265,027</b>	<b>36,674,255</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital	30	4,762,692	4,032,033
Reserves		31,037,767	24,092,702
		<b>35,800,459</b>	<b>28,124,735</b>
Non-controlling interests		771,211	1,042,871
<b>TOTAL EQUITY</b>		<b>36,571,670</b>	<b>29,167,606</b>

Liu Hanbo  
Director

Zhu Maijin  
Director

The notes on pages 53 to 96 form an integral part of this interim condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share capital	Share premium	Share revaluation reserve	Capital reserve	Merger reserve	Statutory reserve	Safety fund reserve	General surplus reserve	Hedging reserve	Financial assets at fair value through other comprehensive income ("FVOCI") revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	93,138	(163,148)	29,945	165,650	13,318,742	28,191,620	1,080,578	29,272,198
Change in accounting policy	-	-	-	-	-	-	-	-	-	-	-	(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	93,138	(163,148)	29,945	165,650	12,934,554	27,807,432	1,080,318	28,887,750
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	470,332	470,332	139,478	609,810
Currency translation differences	-	-	-	-	-	-	-	-	-	-	24,037	-	24,037	(1,041)	22,996
Fair value gain on FVOCI	-	-	-	-	-	-	-	-	-	42,548	-	-	42,548	40,880	83,428
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(109,531)	-	-	-	(109,531)	(158,928)	(268,459)
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	8,724	-	-	-	8,724	12,659	21,383
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	2,715	(50)	-	-	2,665	1,163	3,828
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	(113,310)	-	2,809	-	(110,501)	-	(110,501)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(211,402)	42,498	26,846	470,332	328,274	34,211	362,485
Accrual of safety fund reserve	-	-	-	-	-	-	41,030	-	-	-	-	(45,004)	(3,974)	3,974	-
Utilisation of safety fund reserve	-	-	-	(42,824)	-	-	-	-	-	-	-	48,578	754	(754)	-
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(80,641)	(80,641)	-	(80,641)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(49,700)	(49,700)
Fair value of share options granted	-	-	-	7,021	-	-	-	-	-	-	-	-	7,021	-	7,021
Transaction with non-controlling interests	-	-	-	1,659	-	-	-	-	-	-	-	-	1,659	(1,659)	-
At 30 June 2019 (unaudited)	4,032,033	7,749,939	273,418	85,021	(286,027)	2,877,435	29,340	93,138	(380,550)	72,443	192,466	13,322,919	28,060,525	1,066,390	29,126,915

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2020

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Share 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 2019 (as previously reported)	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
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,954,736	2,954,736	139,557	3,094,293
Currency translation differences	-	-	-	-	-	-	-	-	-	(14,139)	117,227	-	117,227	(3,339)	113,888
Fair value loss on FVOCI	-	-	-	-	-	-	-	-	-	(14,139)	-	-	(14,139)	(13,594)	(27,723)
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(193,462)	-	-	-	(193,462)	(280,710)	(474,172)
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	20,308	-	-	-	20,308	29,466	49,774
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(3,438)	986	-	-	(2,452)	(2,260)	(4,712)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	(141,011)	-	49,852	-	(91,159)	-	(91,159)
Disposal of investment properties	-	-	(4,558)	-	-	-	-	-	-	-	-	-	(4,558)	-	(4,558)
Total comprehensive income for the period	-	-	(4,558)	-	-	(317,603)	-	-	(317,603)	(13,153)	167,079	2,954,736	2,786,501	(130,870)	2,655,631
Issue of ordinary shares (note 30)	730,659	4,346,214	-	-	-	-	-	-	-	-	-	-	5,076,873	-	5,076,873
Accrual of safety fund reserve	-	-	-	-	-	-	48,918	-	-	-	-	(52,522)	(3,604)	3,604	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(5,015)	-	-	-	-	5,196	181	(181)	-
Non-controlling interests on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(53,399)	(53,399)
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(190,508)	(190,508)	-	(190,508)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,814)	(90,814)
Fair value of share options granted	-	-	-	6,281	-	-	-	-	-	-	-	-	6,281	-	6,281
At 30 June 2020 (unaudited)	4,762,692	12,096,153	273,418	96,842	(286,027)	2,877,435	53,020	93,158	(741,747)	68,702	500,811	16,005,402	35,800,459	771,211	36,571,670

The notes on pages 53 to 96 form an integral part of this interim condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>3,507,055</b>	<b>2,696,446</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	34,799	22,550
Payments for construction in progress	(1,240,069)	(284,436)
Purchases of property, plant and equipment	(376,670)	(48,960)
Investments in an associate	(349,264)	–
Proceeds from disposal of property, plant and equipment	12,713	1
Loans to joint ventures	–	(13,586)
Repayment from associates	10,886	11,887
Repayment from joint ventures	–	8,756
Dividends received from associates	116,703	278,811
Dividends received from a joint venture	182,862	132,557
Disposal of subsidiaries, net of cash acquired/(deduction)	5,407	(15,138)
Disposal of FVOCI	7,103	–
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(1,595,530)</b>	<b>92,442</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>FINANCING ACTIVITIES</b>		
Interest paid	(514,039)	(569,357)
Dividends paid to shareholders of the Company	–	(54,518)
Dividends paid to non-controlling interests of subsidiaries	(107,957)	(59,700)
Dividends paid to previous shareholder of a subsidiary	–	(10,000)
Repayment of other loans	(23,830)	(73,159)
Increase in interest-bearing bank and other borrowings	2,593,248	3,247,321
Repayment of interest-bearing bank and other borrowings	(5,347,058)	(4,222,024)
Contribution from shareholders of the Company	5,089,200	–
Lease payments	(333,922)	(323,290)
Share issue cost and borrowings acquisition cost	(6,941)	–
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>1,348,701</b>	<b>(2,064,727)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,260,226</b>	<b>724,161</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3,919,500</b>	<b>3,467,924</b>
Effect of foreign exchange rate changes, net	38,366	19,320
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>7,218,092</b>	<b>4,211,405</b>

The notes on pages 53 to 96 form an integral part of this interim condensed consolidated financial information.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 1. CORPORATE INFORMATION

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

During the period, the Company and its subsidiaries (together the “Group”) were involved in the following principal activities:

- (a) investment holding; and/or
- (b) oil shipment along the PRC coast and international shipment; and/or
- (c) vessel chartering; and/or
- (d) liquefied natural gas (“LNG”) shipping and liquefied petroleum gas (“LPG”) shipping.

The Board regards China COSCO SHIPPING Corporation Limited (“COSCO Shipping”), a state-owned enterprise established in the PRC, as being the Company’s parent company. The Board regards China Shipping Group Company Limited (“China Shipping”), a state-owned enterprise established in the PRC, as the immediate parent company.

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

This condensed consolidated interim financial information for the six months ended 30 June 2020 (the “Interim Financial Information”) is presented in Renminbi (“RMB”), which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

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

The Interim Financial Information has not been audited.

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) New and amended standards adopted by the Group

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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



# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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.

In addition to above, in preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the major risk management policies since the last year end.

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
<b>As at 30 June 2020</b>				
Trade and bills payables	1,592,573	-	-	1,592,573
Financial liabilities included in other payables and accruals (excluding interest payable)	561,742	-	-	561,742
Interest payable in relation to borrowings and bonds	207,665	-	-	207,665
Derivative financial instruments	-	-	1,067,849	1,067,849
Lease liabilities	562,947	430,188	1,821,434	2,814,569
Interest-bearing bank and other borrowings	8,406,487	1,958,494	17,710,624	28,075,605
Other loans	104,922	106,825	1,246,899	1,458,646
Bonds payable	126,800	126,800	2,626,800	2,880,400
	<u>11,563,136</u>	<u>2,622,307</u>	<u>24,473,606</u>	<u>38,659,049</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
<b>As at 31 December 2019</b>				
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
	<u>13,353,000</u>	<u>3,927,880</u>	<u>25,712,077</u>	<u>42,992,957</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value at the end of the Reporting Period by level of the fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 30 June 2020</b>				
Financial assets:				
Financial assets at FVOCI	<u>353,941</u>	<u>–</u>	<u>1,771</u>	<u>355,712</u>
Financial liabilities:				
Derivative financial instruments	<u>–</u>	<u>1,067,849</u>	<u>–</u>	<u>1,067,849</u>
<b>At 31 December 2019</b>				
Financial assets:				
Financial assets at FVOCI	<u>390,905</u>	<u>–</u>	<u>5,534</u>	<u>396,439</u>
Financial liabilities:				
Derivative financial instruments	<u>–</u>	<u>631,235</u>	<u>–</u>	<u>631,235</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation (Continued)

- (a) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Fair value hierarchy has been defined in the Group's consolidated financial statements disclosed in the Company's 2019 annual report. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in the current and prior periods.

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

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 the current interest rates and the current creditworthiness of the swap counterparties.

- (b) 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 cost or amortised cost are not materially different from their fair values as at 30 June 2020 and 31 December 2019.

## 6. REVENUES AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

**a. oil shipment**

- oil shipment
- vessel chartering

**b. LNG**

**c. others**

- others mainly include LPG shipping.

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 6. REVENUES AND SEGMENT INFORMATION (Continued)

### Business segments

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 6. REVENUES AND SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

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

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

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

Segment contribution represents gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior managements), marketing expenses, net impairment losses on financial and contract assets, other expenses, share of profits of associates, share of profits of joint ventures, other income and net gains and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resources allocation and performance assessment.

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 6. REVENUES AND SEGMENT INFORMATION (Continued)

### Geographical segments

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

During the periods ended 30 June 2020 and 2019, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 6. REVENUES AND SEGMENT INFORMATION (Continued)

#### Other information

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

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditure has been prepared for the six months ended 30 June 2020 and 2019.

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 7. OTHER INCOME AND NET GAINS

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

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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 8. FINANCE COSTS

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

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 9. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,189,396	2,146,470
Others (including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	<u>3,812,552</u>	<u>3,524,642</u>
	<u><b>6,001,948</b></u>	<u><b>5,671,112</b></u>
Staff costs (including emoluments of directors, supervisors and management):		
Wages, salaries, crew expenses and related expenses	948,785	854,514
Costs for defined benefit plan	2,999	6,060
Pension scheme contributions	<u>16,013</u>	<u>25,557</u>
Total staff costs	<u><b>967,797</b></u>	<u><b>886,131</b></u>
Depreciation of property, plant and equipment	1,218,405	1,168,448
Depreciation and amortisation of right-of-use assets	272,739	257,959
Dry-docking and repairs	244,440	256,961
Provision for impairment losses on trade receivables and contract assets	12,886	17,183
(Reversal of)/provision for impairment losses on other receivables	<u>(346)</u>	<u>36</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 10. INCOME TAX EXPENSE

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

Note:

- (i) PRC Corporate Income Tax

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

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 11. EARNINGS PER SHARE

### (a) Basic

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

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

### (b) Diluted

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 12. DIVIDENDS

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

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

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

### 13. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Opening net book value as at 1 January	49,160,894	49,330,845
Currency translation differences	444,145	496,343
Additions	1,308,040	1,728,173
Disposals/write-off	(279,983)	(79,724)
Depreciation/amortization	(1,218,405)	(2,314,743)
Closing net book value as at 30 June/31 December	<b>49,414,691</b>	<b>49,160,894</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 14. 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:

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Right-of-use assets</b>		
Vessels	2,086,844	2,329,921
Prepaid land lease payments*	61,656	72,463
Properties	9,991	12,316
Motor vehicles	26	53
	<u>2,158,517</u>	<u>2,414,753</u>
<b>Lease liabilities</b>		
Current	470,366	586,728
Non-current	2,018,583	2,145,306
	<u>2,488,949</u>	<u>2,732,034</u>

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 14. 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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Depreciation charge of right-of-use assets</b>		
Vessels	269,202	254,603
Properties	2,349	2,140
Prepaid land lease payments	1,161	1,189
Motor vehicles	27	27
	<u>272,739</u>	<u>257,959</u>
Interest expense (included in finance cost)	52,175	63,600
Expense relating to short-term leases	<u>6,789</u>	<u>7,829</u>

The total cash outflow for leases during the period was RMB333,922,000.

### 15. INVESTMENTS IN ASSOCIATES

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Share of net assets	1,844,831	1,519,950
Goodwill	835,105	835,105
	<u>2,679,936</u>	<u>2,355,055</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 15. INVESTMENTS IN ASSOCIATES (Continued)

As at 30 June 2020, 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
			2020	2019	2020	2019	
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	RMB6,000,000,000 (As at 31 December 2019: 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 condensed consolidated interim financial information.

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 15. INVESTMENTS IN ASSOCIATES (Continued)

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

	<b>Shanghai Beihai</b>	
	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Non-current assets	<b>1,936,638</b>	1,870,366
Current assets	<b>694,228</b>	737,924
Non-current liabilities	<b>(60,640)</b>	(60,640)
Current liabilities	<b>(400,813)</b>	(259,310)
Net assets	<b><u>2,169,413</u></b>	<u>2,288,340</u>
Proportion of the Group's ownership interest	<b>40%</b>	40%
Group's share of net assets	<b>867,766</b>	915,336
Goodwill	<b>835,105</b>	835,105
Carrying amount of the Group's interest in the associate	<b><u>1,702,871</u></b>	<u>1,750,441</u>
	<b>Six months ended 30 June</b>	
	<b>2020 RMB'000</b>	2019 RMB'000
Revenues	<b>757,342</b>	765,106
Profit for the period	<b>277,988</b>	259,997
Other comprehensive loss	<b>-</b>	(126)
Total comprehensive income for the period	<b>277,988</b>	259,871
Dividends received from the associate	<b><u>160,000</u></b>	<u>240,000</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 15. INVESTMENTS IN ASSOCIATES (Continued)

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Aggregate carrying amount of individually immaterial associates in the condensed consolidated financial statements	<b><u>977,065</u></b>	<u>604,614</u>

	<b>Six months ended 30 June</b>	
	<b>2020 RMB'000</b>	2019 RMB'000
Aggregate amounts of the Group's share of:		
Profit for the period	<b>64,401</b>	46,167
Other comprehensive (loss)/income	<b><u>(4,511)</u></b>	<u>54</u>
Total comprehensive income for the period	<b><u>59,890</u></b>	<u>46,221</u>

## 16. INVESTMENTS IN JOINT VENTURES

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Share of net assets	<b>2,786,083</b>	2,709,852
Goodwill	<b><u>477,105</u></b>	<u>477,105</u>
	<b><u>3,263,188</u></b>	<u>3,186,957</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 16. INVESTMENTS IN JOINT VENTURES (Continued)

As at 30 June 2020, 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
			2020	2019	
China LNG Shipping (Holdings) Limited ("CLNG")	Hong Kong/Limited liability company	USD 513,439,182	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 ("Red LNG")	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Orange LNG Shipping Limited ("Orange LNG")	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Yellow LNG Shipping Limited ("Yellow LNG")	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Indigo LNG Shipping Limited ("Indigo LNG")	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 16. INVESTMENTS IN JOINT VENTURES (Continued)

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

	<b>CLNG</b>	
	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Non-current assets	8,121,532	8,184,523
Current assets	704,747	904,154
Cash and cash equivalents	649,608	895,880
Other current assets	55,139	8,274
Non-current liabilities	(3,578,517)	(3,353,406)
Current liabilities	(312,177)	(715,083)
Net assets	4,935,585	5,020,188
Non-controlling interests	(908,142)	(933,957)
	<u>4,027,443</u>	<u>4,086,231</u>
Proportion of the Group's ownership interest	50%	50%
Group's share of net assets	2,013,722	2,043,116
Goodwill	477,105	477,105
Carrying amount of the Group's interest in the joint venture	<u>2,490,827</u>	<u>2,520,221</u>
	<b>Six months ended 30 June</b>	
	<b>2020 RMB'000</b>	2019 RMB'000
Revenues	549,339	572,209
Profit for the period	562,110	377,764
Other comprehensive loss	(283,171)	(113,310)
Total comprehensive income for the period	278,939	264,454
Dividends received from the joint venture	<u>154,355</u>	<u>94,951</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 16. 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:

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the condensed consolidated financial statements	<b><u>772,361</u></b>	<u>666,736</u>
	<b>Six months ended 30 June</b>	
	<b>2020 RMB'000</b>	2019 RMB'000
Aggregate amounts of the Group's share of:		
Profit for the period	<b>85,600</b>	34,282
Other comprehensive income	<b><u>20,025</u></b>	<u>–</u>
Total comprehensive income for the period	<b><u>105,625</u></b>	<u>34,282</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 17. LOAN RECEIVABLES

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Loans to associates	(i)	293,996	405,757
Loans to joint ventures	(ii)	888,209	852,958
		<u>1,182,205</u>	<u>1,258,715</u>
Less: current portion		(16,731)	(27,786)
Non-current portion		<u>1,165,474</u>	<u>1,230,929</u>

Note:

- (i) As at 30 June 2020, loans to associates are unsecured, interest-bearing at approximately 4.95% to 5.69% over 3-month London Inter-bank Offered Rate ("LIBOR") (31 December 2019: approximately 3.70% to 4.43% over 3-month LIBOR) per annum and repayable in 2030 and 2031.
- (ii) As at 30 June 2020 and 31 December 2019, 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.

### 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Listed equity investments in the PRC	353,941	390,905
Unlisted equity investments	1,771	5,534
	<u>355,712</u>	<u>396,439</u>

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(Loss)/gain recognised in other comprehensive income	(27,723)	83,428



# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 19. DEFERRED TAX ASSETS AND LIABILITIES

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

	Adoption of HKFRS16 RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	67,405	47,554	14	114,973
Charge to profit or loss	<u>(67,405)</u>	<u>(2,389)</u>	<u>(14)</u>	<u>(69,808)</u>
At 31 December 2019 and 1 January 2020	–	<b>45,165</b>	–	<b>45,165</b>
Charge to profit or loss	<u>–</u>	<u>(1,195)</u>	<u>–</u>	<u>(1,195)</u>
At 30 June 2020	<u>–</u>	<u><b>43,970</b></u>	<u>–</u>	<u><b>43,970</b></u>

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

	Revaluation of investment properties RMB'000	Fair value change on FVOCI RMB'000	Accelerated tax depreciation RMB'000	Unremitted earnings RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	2,168	58,374	246,510	54,186	4,584	365,822
(Credit)/charge to profit or loss	(4,341)	–	(5,046)	38,128	357	29,098
Credit to other comprehensive income	1,519	32,031	–	–	–	33,550
Transfer in/(out)	5,092	–	(5,092)	–	–	–
Exchange realignment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6</u>	<u>6</u>
At 31 December 2019 and 1 January 2020	<b>4,438</b>	<b>90,405</b>	<b>236,372</b>	<b>92,314</b>	<b>4,947</b>	<b>428,476</b>
(Credit)/charge to profit or loss	<b>(1,798)</b>	–	<b>(8,390)</b>	<b>36,228</b>	<b>(74)</b>	<b>25,966</b>
Charge to other comprehensive income	<b>(1,520)</b>	<b>(9,241)</b>	–	–	–	<b>(10,761)</b>
Exchange realignment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>8</u>
At 30 June 2020	<u><b>1,120</b></u>	<u><b>81,164</b></u>	<u><b>227,982</b></u>	<u><b>128,542</b></u>	<u><b>4,881</b></u>	<u><b>443,689</b></u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Deferred tax assets	<b>43,970</b>	45,165
Deferred tax liabilities	<b>(443,689)</b>	(428,476)
	<b><u>(399,719)</u></b>	<b><u>(383,311)</u></b>

As at 30 June 2020, deferred tax assets in respect of tax losses of RMB1,921,583,000, which will expire within five years (31 December 2019: RMB3,507,288,000) has not been recognised as deferred tax assets in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised.

As at 30 June 2020, the unrecognised deferred income tax liabilities were RMB858,076,000 (31 December 2019: RMB494,421,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Board 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 30 June 2020 amounted to RMB3,484,316,000 (31 December 2019: RMB1,977,684,000).

## 20. INVENTORIES

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Bunker oil inventories	<b>549,278</b>	546,171
Ship stores and spare parts	<b>247,989</b>	228,089
	<b><u>797,267</u></b>	<b><u>774,260</u></b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 21. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

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

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

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

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Prepayments	153,736	99,201
Deposits and other receivables	388,042	368,924
Due from fellow subsidiaries	420,387	149,507
Due from associates	193,688	29,930
Due from joint ventures	89,921	110,505
Due from related companies (Note)	80,192	66,964
	<u>1,325,966</u>	<u>825,031</u>
Less: impairment of other receivables	(27,228)	(27,104)
	<u><u>1,298,738</u></u>	<u><u>797,927</u></u>

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

### 23. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Pledged bank deposits	861	861
Balances placed with CS Finance	2,260,850	1,784,637
Unpledged bank balances and cash	4,957,242	2,134,863
Cash and cash equivalents	7,218,092	3,919,500
Total bank deposits and cash and cash equivalents	<u><u>7,218,953</u></u>	<u><u>3,920,361</u></u>

Note:

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2020, the Group had interest rate swap agreements with total notional principal amount of approximately USD537,195,000 (equivalent to approximately RMB3,803,072,000) (31 December 2019: approximately USD546,631,000, equivalent to approximately RMB3,813,407,000) which will be matured in 2031, 2032 and 2033 (31 December 2019: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the period, the floating interest rates of the bank borrowings were 3-month LIBOR plus 2.20% (six months ended 30 June 2019: 3-month LIBOR plus 2.20%).

### 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

		30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2020 to 2021	1,324,851	1,298,978
Unsecured	2020 to 2021	<u>6,392,788</u>	<u>5,022,864</u>
		<u>7,717,639</u>	<u>6,321,842</u>
<b>(ii) Other borrowings</b>			
Unsecured	2020 to 2021	<u>33,000</u>	<u>2,233,000</u>
Interest-bearing bank and other borrowings			
– current portion		<u><u>7,750,639</u></u>	<u><u>8,554,842</u></u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

	Maturity	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Non-current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2021 to 2033	14,682,657	15,124,697
Unsecured	2021 to 2022	920,335	2,057,979
		<u>15,602,992</u>	<u>17,182,676</u>
<b>(ii) Other borrowings</b>			
Unsecured	2021 to 2025	109,850	142,850
Interest-bearing bank and other borrowings			
– non-current portion		<u>15,712,842</u>	<u>17,325,526</u>

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

### 26. OTHER LOANS

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	738,741	743,050
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	372,565	373,633
Petrochina International Co., Limited ("Petrochina International")	(iii)	16,267	16,007
		<u>1,127,573</u>	<u>1,132,690</u>
Less: current portion		(43,286)	(43,443)
Non-current portion		<u>1,084,287</u>	<u>1,089,247</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 26. OTHER LOANS (Continued)

Note:

- (i) As at 30 June 2020, other loans amounted to RMB43,800,000 (31 December 2019: RMB45,500,000) 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 30 June 2020, the loan is unsecured, interest-bearing at approximately 5.60% to 5.69% over 3-month LIBOR (31 December 2019: approximately 3.69% to 4.43% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 30 June 2020, other loans amounted to RMB694,941,000 (31 December 2019: RMB697,550,000) 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 30 June 2020, 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 2019: 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 30 June 2020, 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 30 June 2020, 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 2019: 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 30 June 2020, 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 30 June 2020, the loan is unsecured, interest-bearing at approximately 4.95% to 4.99% over 3-month LIBOR (31 December 2019: approximately 3.69% to 3.73% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 27. BONDS PAYABLE

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

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

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 2019 RMB'000	Interest charge RMB'000	<b>At 30 June 2020 RMB'000</b>
3 August 2012	10 years	1,500,000	1,487,100	1,496,029	721	<b>1,496,750</b>
29 October 2012	7 years	1,500,000	1,488,600	–	–	<b>–</b>
29 October 2012	10 years	<u>1,000,000</u>	<u>992,400</u>	<u>997,448</u>	<u>427</u>	<b>997,875</b>
		<u>4,000,000</u>	<u>3,968,100</u>	<u>2,493,477</u>	<u>1,148</u>	<b>2,494,625</b>

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 paid 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.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 28. TRADE AND BILLS PAYABLES

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

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

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

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

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

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 29. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Other payables	<b>533,817</b>	412,466
Due to fellow subsidiaries	<b>253,231</b>	224,370
Accruals	<b>180,438</b>	342,918
Due to other related companies (Note)	<b>61,937</b>	78,609
Due to ultimate holding company	–	1,320
Due to immediate holding company	–	1,100
	<b><u>1,029,423</u></b>	<b><u>1,060,783</u></b>

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

The amounts due to ultimate holding company, immediate holding company, fellow subsidiaries, and other related companies are unsecured, non-interest-bearing and repayable on demand.

Other payables and accruals are non-interest-bearing and are normally settled in one to three months.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 30. SHARE CAPITAL

	30 June 2020		31 December 2019	
	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				
At beginning and end of the period/year	1,296,000	1,296,000	1,296,000	1,296,000
Listed A-Shares of RMB1 each				
At beginning and end of the period/year	<u>3,466,692</u>	<u>3,466,692</u>	<u>2,736,033</u>	<u>2,736,033</u>
Total				
At beginning and end of the period/year	<u><u>4,762,692</u></u>	<u><u>4,762,692</u></u>	<u><u>4,032,033</u></u>	<u><u>4,032,033</u></u>

On 17 March 2020, the Company has completed the Proposed 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 Proposed Non-public Issuance of A Shares, the total number of shares increased from 4,032,032,861 shares to 4,762,691,885 shares, and the total number of A Shares increased from 2,736,032,861 A Shares to 3,466,691,885 A Shares.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 31. 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:

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB58,052,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 31. CONTINGENT LIABILITIES AND GUARANTEE (Continued)

- 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 ship builders, Daewoo Ship building & Marine Engineering Co., Ltd. and DY Maritime Limited for the Three Joint Ventures, and provides owner’s guarantees to the charterer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively.

As at 31 December 2019, the Company’s guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. And the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB45,309,000).

- c. Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “Banks”), to the extent of amount of USD377.5 million (equivalent to approximately RMB2,672,511,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company’s indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.
- 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 (the “Four Single-vessel Companies”). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner’s guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB35,825,000). The guarantee period is limited to the lease period.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 32. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial period of one to twenty (31 December 2019: one to twenty) years.

As at 30 June 2020, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Within one year	<b>1,860,881</b>	1,698,413
In the second to fifth years, inclusive	<b>5,574,207</b>	5,451,682
Over five years	<b>15,724,571</b>	16,064,974
	<b><u>23,159,659</u></b>	<u>23,215,069</u>

### 33. CAPITAL COMMITMENTS

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

Note:

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 34. 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 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 Board believes that it is meaningful to disclose the related party transactions with COSCO Shipping Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Board believes that the information of related party transactions has been adequately disclosed in the Interim Financial Information.

In addition to the related party information and transactions disclosed elsewhere in the Interim Financial Information, 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 period.

# NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

## 34. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Transactions with COSCO Shipping</b>		
Revenues		
Grant income	755	–
Expense		
Interest expense	12,360	6,143
<b>Transactions with China Shipping</b>		
Expense		
Interest expense	11,900	18,100
<b>Transactions with fellow subsidiaries and the related entities of COSCO Shipping</b>		
Revenues		
Shipping services and ship charter services	47,359	32,813
Supply of fuel, shipping material, painting, spare part and ship equipment etc.	6,279	5,034
Rental income, including surcharge	599	509
Expenses		
Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc.	1,757,164	1,728,908
Electrical, telecommunication, ship repair and technical improvements services etc.	174,434	62,979
Ship and related business insurance and insurance brokerage services	42,243	37,171
Ship and shipping agency services	39,815	32,226
Management services of sea crew	718,487	613,681
Rental expense	2,159	2,442
Miscellaneous services	4,042	289
Others		
Construction of vessels	160,889	51,549
Loss on disposal of shares in subsidiaries	40,504	7,926



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020

### 34. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Transactions with joint ventures of the Group</b>		
Revenues		
Interest income from joint ventures	<u>13,347</u>	<u>17,593</u>
<b>Transactions with associates of the Group</b>		
Revenues		
Interest income from associates	19,243	27,005
Vessel chartering income	<u>54,561</u>	<u>54,584</u>
Key management compensation		
Salaries, bonuses and other allowances	5,182	5,017
Share options	672	851
Contribution to retirement benefit scheme	<u>38</u>	<u>275</u>

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 30 June 2020 and 31 December 2019, majority of the Group's bank balances and bank borrowings are with state-owned banks.