Stock Code: 600428 Stock Abbreviation: COSCOL

COSCO Shipping Specialized Carriers Co., Ltd.

Summary of 2018 Annual Report

I Important Notes

1 The summary is based on the full text of the annual report. To understand the business performance, financial condition and future development plans of the Company, investors should consult the Shanghai Stock Exchange website, or other media designated by the China Securities Regulatory Commission, and carefully read the full text of the annual report.

2 The Board of Directors and Board of Supervisors, directors, supervisors and senior executives of the Company guarantee that the contents of the annual report are true, accurate and complete, and do not contain false records, misleading statements or major omissions, and assume joint and several legal liability for this.

3 All directors of the Company attended the board meeting.

4 Baker Tilly China Certified Public Accountants (Special General Partnership) issued a standard and unqualified audit report.

5 Profit Distribution Plan or Capital Reserves Share Capitalization Plan for the reporting period, reviewed by the Board of Directors

Based on the profitability conditions of the Company in 2018 and the accumulation of previously undistributed profits, after giving full consideration to the future business development plans and funding needs of the Company, the Board of Directors elected not to make a distribution from 2018 profits. This distribution plan must be submitted to the 2018 Annual General Meeting for review.

II Introduction to the Company

1 Company Profile

Stock Profile				
Types of Stock	Stock Exchange	Stock Abbreviation	Stock Code	Stock Abbreviation before Change
A Share	Shanghai Stock Exchange	COSCOL	600428	COSCO

Contact and Contact Information	Secretary of the Board of Directors	Representative of Securities Affairs
Name	Dong Yuhang	Wang Jian
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2 Overview of Main Business during the Reporting Period

2.1 Main Business and Business Models Adopted

Mainly engaging in specialized shipping and related activities, COSCO Shipping Specialized Carriers Co., Ltd. (the Company) has the strategic objective of "becoming the leading competitor in global specialized shipping and leading international engineering logistics service company", with "exceptional capabilities, excellent service" as its guiding principle. The Company is dedicated to creating a world-class specialized shipping fleet. The Company owns a specialized shipping fleet of a scale and overall strength that rank it among the world leaders, and it is dedicated to the operation and management of over 100 vessels (with total dead weight tonnage of nearly 3 million tonnes), including semi-submersible, multi-purpose, and heavy lift vessels, and automobile, timber and asphalt transporters.

Its vessels are characterized by reasonable structure, adequate carrying capability, energy-efficiency and environmental friendliness. They are well suited to a large variety of cargoes, including extra-long, superheavy or extra-large cargoes, and uncontainerable cargoes, as well as cargoes with special carrying and loading/unloading requirements such as drilling platforms, locomotives, automobiles, wind power equipment, bridge cranes, and complete sets of equipment. Their transportation capacity range covers 1t to 100,000t, allowing the Company to provide clients with safe and efficient transportation services.

The Company has shipping routes worldwide, with vessels navigating between more than 1,600 ports, in over 160 countries and regions. Although based in the Far East, the Company already possesses strength on European, American, African, Pan-Indian Ocean and Pan-Pacific routes. In addition, it has also developed innovative new routes including Atlantic and Australian routes. Moreover, the Company is the world's sole shipping company with successful experience of operating routes in the two polar regions, namely the Arctic and Antarctic. The Company can flexibly arrange loading and unloading ports for vessels to suit clients' needs and projects' specific conditions. Its shipping routes can be extended to wherever an engineering project is located, ensuring safe arrival of cargoes. By virtue of its preeminent strength, the Company has facilitated the completion of hundreds of significant international projects, breaking "ultra-limit" transportation records over and over.

The Company has made active efforts to provide innovative, improved services, to extend its business from "port-to-port" transportation to "door-to-door" full-course logistics service, and from "ocean shipping" to "ocean shipping plus installation". The Company possesses world-leading shipping technology. It aims at state-of-the-art technologies and satisfying the needs of the highest-end clients. It has established cooperative partnerships with scientific research institutes, colleges and universities, and specialized research institutions in order to research and develop high-tech solutions for high-difficulty cargo loading/unloading and transportation tasks, to allow it to meet and surpass clients' expectations.

The Company has established a comprehensive management system. Based on the requirements of mandatory international regulations such as ISM, ISPS and MLC-2006, the Company has introduced management system standards such as ISO9001, ISO14001 and OHSAS18001, and established a QHSE management system focusing on client requirements in terms of safety and management improvement, at the same time conforming to mandatory regulations and standards. High-level internationalized professional management has allowed the Company to establish sustained, stable safety guarantees and environmental protection mechanisms and thus to consistently provide steady, reliable specialized shipping services to clients.

The Company is always making progress and searching for diversified development opportunities. It has entered shipping-related businesses including technical consulting, material supply, communications, navigation, and performance training of seafarers. It thus has rich experience in the industry. Development of an industry value-chain of a certain scale, which provides strong support and a guarantee to the main business (shipping) on an internal level, and has contributed to development the specialized brand externally, is forming a beneficial complement to the main business, promoting coordinated development.

2.2 Overview of the Company's Industry

The shipping industry is indispensable to the global economy and trade, since 90% of the world's goods trade is transported by sea. The shipping industry therefore provides a "barometer" reflecting the prosperity of the economy. The international shipping industry can be categorized into many branches, including the container vessel, dry bulk carrier, oil tanker business, and passenger ship businesses. The Company's special shipping business is an important subdivision of the international shipping industry, and comprises many specialized ship businesses including multi-purpose vessels, heavy lift vessels, semi-submersible vessels, car carriers and engineering vessels. The specialized shipping market is affected not only by the overall economic and trade environment, but also by supply-demand relationships unique to its own sub-markets. Compared with the container vessel and dry bulk carrier markets, the specialized shipping market is quite stable, and generally characterized by relatively small scale market fluctuations. Industrial consolidation in the international shipping market over recent years has led to a situation in which a few highly-competitive enterprises now lead each sub-market in the specialized shipping industry. COSCO Shipping Specialized Carriers Co., Ltd. occupies the market leading position in multiple sub-markets.

In 2018, the world economy continued to grow moderately overall, but the momentum of growth weakened, and growth's polarization across economies increased. Although there was growth in global trade, this failed to meet expectations, slowing due to the emergence of trade protectionism and Sino-US trade conflicts.

Affected by the economic and trade environment, the recovery in the global shipping market has fallen short of expectations and remains weak, with markets for different ship types uneven. The ClarkSea Index averaged USD 12,144/day, representing year-on-year growth of 12.8%. The international dry bulk transportation market was in a stable recovery, with the annual average Baltic Dry Index (BDI) reaching 1353, representing 18.1% growth compared with 2017. The container transportation market entered a stage of recovery and adjustment, with the annual China Containerized Freight Index (CCFI) falling then rising intra-year, for an annual average of 818, representing a slight year-on-year decrease of 0.2%. The international oil transportation market remained weak, with the average Baltic Dirty Tanker Index (BDTI) at 798, representing year-on-year growth of 1.4%. The Company's specialized shipping markets encountered pressures from fluctuation in market demand and increases in fuel oil and other costs. However, different sub-markets continued to diversify and differentiate. The specialized shipping market generally displayed a slow recovery from weakness, with a slow recovery of demand and competition remaining intense.

3 Major Accounting Data and Financial Indicators

3.1 Major Accounting Data and Financial Indicators during the Last Three Years

Monetary unit: yuan Currency: RMB

	2018	2017	Change over the Previous Year (%)	2016
Total assets	21,666,421,461.06	21,250,771,066.48	1.96	21,290,148,441.52
Operation revenue	7,576,116,168.03	6,508,692,188.32	16.40	5,883,170,356.76
Net profit attributable to shareholders of the listed company	86,066,557.49	237,560,541.70	-63.77	50,260,945.94
Net profit attributable to shareholders of the listed company net of non-recurring profits and losses	-64,324,661.86	241,434,915.89	-126.64	-55,160,542.36
Net assets attributable to shareholders of the listed company	9,578,070,445.56	9,503,310,165.04	0.79	9,367,200,139.44

Net cash flows from operating activities	895,235,843.12	1,425,774,288.60	-37.21	638,959,782.32
Basic earnings per share (RMB yuan/share)	0.040	0.111	-63.77	0.024
Diluted earnings per share (RMB yuan/share)	0.040	0.111	-63.77	0.024
Weighted average return on equity (%)	0.90	2.52	A decrease of 1.62 percent points	0.56

3.2 Major Quarterly Accounting Data for the Reporting Period

Monetary unit: yuan Currency: RMB

	1st Quarter (January-March)	2nd Quarter (April-June)	3rd Quarter (July-September)	4th Quarter (October-December)
Operation revenue	1,623,120,288.84	1,777,343,654.42	2,112,267,796.26	2,063,384,428.51
Net profit attributable to shareholders of the listed company	19,675,967.95	39,664,033.34	69,708,092.60	-42,981,536.40
Net profit attributable to shareholders of the listed company net of non-recurring profits or losses	14,466,667.76	38,182,512.06	29,827,824.21	-146,801,665.89
Net cash flows from operating activities	-135,550,618.82	267,647,839.91	59,693,562.44	703,445,059.59

Explanation of discrepancy between quarterly data and previously disclosed accounting period data
"□ Applicable" " √ Not applicable"

4 Share Capital and Shareholders

4.1 Number of Ordinary Shareholders and Preferred Shareholders with Voting Rights Restored, and Shareholdings of Top Ten Shareholders

Unit: Share

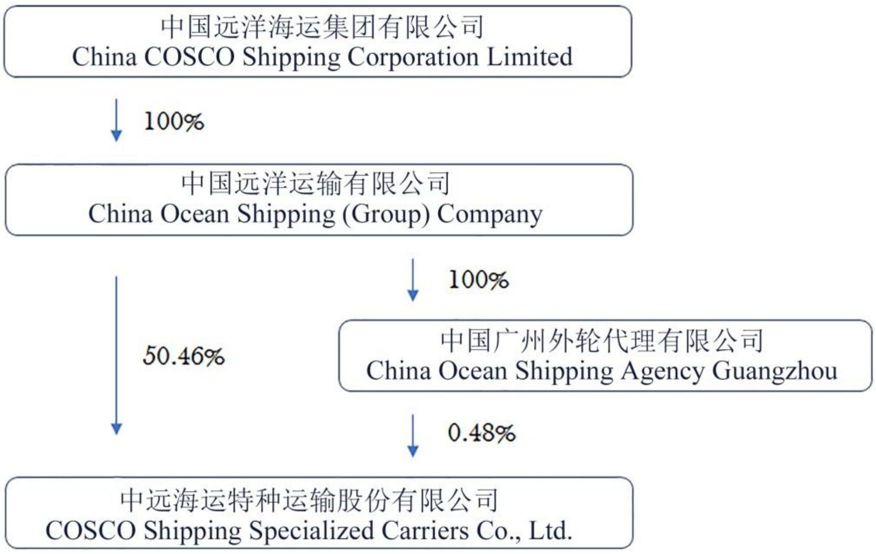
Number of ordinary shareholders as of end of reporting period (Nr.)							122,298
Total number of ordinary shareholders at end of month prior to publication date of annual report (Nr.)							110,157
Shareholdings of the top ten shareholders							
Full Name of Shareholder	Increase /Decrease during Reporting Period	Number of Shares Held at the End of Period	Proportion (%)	Number of Restricted Shares Held	Pledged or Frozen Status		Nature of Shareholders
					Status of Shares	Quantity	
China Ocean Shipping (Group)	0	1,083,147,344	50.46	228,102,189	None	None	State-owned legal person

Company							
First Seafront Fund - Baoshang Bank - First Seafront Private Placement No. 11 Asset Management Plan	0	228,102,189	10.63	228,102,189	Unknown	Unknown	Domestic non-state-owned legal person
Central Huijin Asset Management Co., Ltd.	0	48,347,200	2.25	0	Unknown	Unknown	Others
Yinhua Fund - Agricultural Bank of China – Yinhua CSI Financial Assets Management Plan	0	11,510,100	0.54	0	Unknown	Unknown	Others
ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse CSI Financial Asset Management Plan	0	11,220,948	0.52	0	Unknown	Unknown	Others
China Ocean Shipping Agency Guangzhou	0	10,256,301	0.48	0	Unknown	Unknown	Others
Agricultural Bank of China Limited – 500 ETF	9,298,654	9,298,654	0.43	0	Unknown	Unknown	Others
Da Cheng Fund - Agricultural Bank of China – Da Cheng CSI Financial Assets Management Plan	0	8,195,732	0.38	0	Unknown	Unknown	Others
Huaxia Fund - Agricultural Bank of China – Huaxia CSI Financial Assets Management Plan	0	6,263,470	0.29	0	Unknown	Unknown	Others
National Social	2,182,000	4,163,538	0.19	0	Unknown	Unknown	Others

Security Fund Package No. 407							
Explanations of relationships between or concerted actions of the aforementioned shareholders		1. During the reporting period, the shareholder holding more than 5% of the Company's shares was China Ocean Shipping (Group) Company. The shares held by China Ocean Shipping (Group) Company were neither pledged nor frozen. The Company has no information regarding whether the shares held by other shareholders not subject to trading-limiting conditions were or were not pledged or frozen. 2. China Ocean Shipping Agency Guangzhou and the Company are owned by the same controlling shareholder - China Ocean Shipping (Group) Company. In addition, the Company is not aware of interrelationships between the above-mentioned shareholders not subject to trading-limiting conditions or persons acting in concert as stipulated in Measures for Administration of the Acquisition of Listed Companies.					

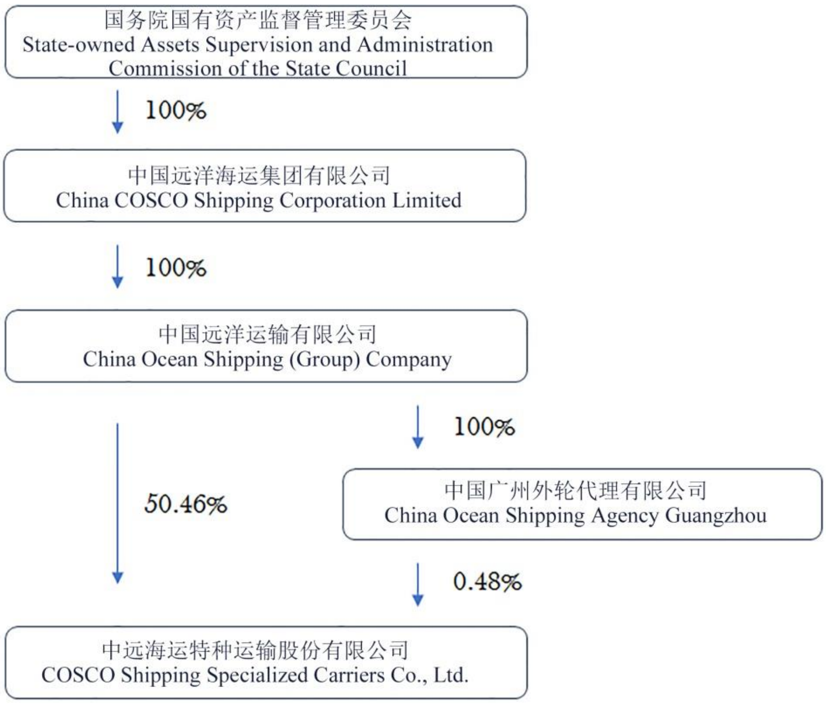
4.2 Block Diagram of Property Rights and Control Relationships between the Company and the Controlling Shareholders

" √Applicable" " □ Not applicable"



4.3 Block Diagram of Property Rights and Control Relationships between the Company and the Actual Controller

" √Applicable" "□ Not applicable"



4.4 Number of Preferred Shareholders at End of Reporting Period and Shareholdings of Top Ten Shareholders

" □ Applicable" " √ Not applicable"

5 Information regarding Company Bonds

"□ Applicable" "√ Not applicable"

III Discussion and Analysis of Operations

During the reporting period, faced with a difficult market situation, the ship/ shore-based employees of the Company acknowledged the situation, concentrated their faculties, and worked hard to exploit foreign markets, reduce costs and increase efficiency, further strengthening the Company's capability for innovation and development while making efforts to improve operating efficiency through various measures. During the reporting period, the Company achieved an operating income of RMB 7,576,116,200, representing a year-on-year increase of 16.4%. The scale of operations reached a new three-year high, and the Company achieved overall profitability in its main shipping businesses. Amongst these, good profitability continued at the semi-submersible vessel business, while the heavy lift vessel and timber transport business were successful in moving into profit. During the reporting period, the Company wholly acquired 5 vessels (68,000 DWT) and decommissioned 2 old vessels (44,000 DWT). In addition, the Company ordered 5+4 multi-purpose wood-pulp carriers (62,000 DWT). As of the end of the reporting period, the Company possessed 104 self-owned vessels (2,611,000 DWT), representing a year-on-year increase of 3 (24,000 DWT). The Company’s self-owned fleet had an average age of 9.5 years.

1 Multi-purpose and Heavy Lift Vessel Businesses

During the reporting period, the multi-purpose and heavy lift vessel market remained in weak recovery. From the perspective of main sources of goods, China's total exports of steel products in 2018 decreased by 8.1% year-on-year. China's total exports of machinery and equipment increased by 12.1% over the same period the previous year, with the construction machinery and wind power industries showing outstanding growth. The number of new contracts signed by Chinese enterprises for foreign projects decreased by 8.8% year-on-year, while the turnover achieved remained stable, with a slight year-on-year increase of 0.3%.

The Company is the world's largest multi-purpose vessel operator based on total dead weight tonnage of multi-purpose vessels and heavy lift vessels (see May 2018 research report of Dynama, a Dutch shipping industry analysis agency). In 2018, the Company seized opportunities, innovated in its operations, and fully leveraged the fleet's advantages in terms of carrying capacity and scale, and achieved remarkable results in terms of improvements in service provision and market share. It successfully launched a regular West Africa route service, opened up the Atlantic and Great Triangle routes, increased the development of new markets and the coastal domestic trade market, accelerated the development of its wood-pulp and extended businesses, expanded the scale of operation in Arctic routes, and successfully pioneered the domestic LNG tank container shipping. The Company's global operation capability has thus improved further.

The Company promoted the construction of the national “Belt and Road Initiative” with the proportion of goods shipped along the “Belt and Road” reaching 43%. The Company increased marketing efforts targeting wind power, wood-pulp and other markets, focusing on continuous optimization of key sources of goods and customers. The contribution of machinery and equipment freight during the reporting period increased further, to 45.5%. During the reporting period, the Company took over 1 multi-purpose vessel and decommissioned 2 old ones. As at the end of 2018, the Company wholly owned 39 multi-purpose vessels (1,102,500 DWT) and 24 heavy lift vessels (639,300 DWT). In 2018, the Company’s self-owned and leased multi-purpose vessels achieved total operating income of RMB 2.91 billion, representing a year-on-year increase of 21.51%, and accounting for 41.16% of total fleet operating income, for an operating profit of RMB -154 million. The Company’ heavy lift vessels achieved an operating income of RMB 1.38 billion, representing a year-on-year increase of 20.48%, and accounting for 19.52% of the total fleet operating income, for an operating profit of RMB 55 million.

2 Semi-submersible Vessel Business

During 2018, the international crude oil price fluctuated sharply, first rising and then falling. The offshore oil and gas engineering market showed a general trend towards recovery. The number of oil and gas engineering projects approved worldwide increased significantly, and utilization rates of offshore oil and gas platforms gradually increased. However, due to the effects of excess capacity, the semi-submersible vessels spot market remains weak on the whole, with conditions of excess shipping capacity and fierce competition ongoing.

The Company's semi-submersible vessel business is relying on advanced technology and excellent branding to further consolidate its leading position in the global market. The Company’s H2 2016 bid for Kazakhstan Caspian Sea TCO Project, the world's largest oil field development project, with a carriage period from 2018 to 2020. This project's first ship module transportation began in the first half of 2018. A total of 14 voyages were completed during the year, with good results. At the same time, the Company continued to bolster its technology-led strengths, covering all six "transportation + installation" projects worldwide during the year, and has achieved good results in spite of the downturn in spot rates. As of the end of the reporting period, the Company owned 7 semi-submersible vessels in total, with total dead weight tonnage of 321,800 DWT. Meanwhile, some vessels were leased and allocated to the TCO Project. The Company's semi-submersible vessels achieved an operating income of RMB 1.522 billion for the whole year, representing a year-on-year increase of 18.81% and accounting for 21.54% of the total fleet operating income, for an operating profit of RMB 312 million, representing a year-on-year decrease of 30.44%.

3 Car Carrier Business

In 2018, China's domestic car production and sales volume declined, with a year-on-year sales decreasing 2.8% and a year-on-year increase in car exports of 16.8%, but total car export volumes remain low.

The Company seized the policy opportunity, intensified its development of the domestic car vessel market, consolidated key businesses such as Toyota routes, actively developed new customers and routes, and successfully reduced losses. As of the end of the reporting period, the Company had 6 car carriers weighing 79,700 DWT in total. During the reporting period, the Company's car carriers achieved a fleet operating income of RMB 344 million, representing a year-on-year increase of 13.53%, accounting for 4.87% of the total fleet operating income, for a fleet operating profit of RMB -39 million.

4 Timber Carrier Business

In 2018, the growth rate of China's timber imports slowed due to the overall downturn in the real estate market and high levels of port inventories. Customs data show that China's accumulated total imports of logs and sawn timber slightly increased, by 3.9% year-on-year. Due to low demand and restrictive environmental protection and customs clearance policies in timber-producing countries, market competitiveness remained relatively intense even though pressures due to growth of timber carrier capacity remained relatively small.

During the reporting period, the Company actively innovated in its operations, continuously increased its marketing of timber carriers, consolidated and enhanced its advantages in the African timber carrier market, and vigorously exploited the Australian and New Zealand markets, thus successfully turning losses into profits. As of the end of the reporting period, the Company had 11 timber carriers weighing 338,100 DWT in total. During the reporting period, the Company's timber carriers achieved an operating income of RMB 516 million, representing a year-on-year decrease of 5.6%, and accounting for 7.3% of total fleet operating income, for an operating profit of RMB 23 million.

5 Asphalt Carrier Business

In 2018, the imbalance between supply and demand in the asphalt market intensified further, with China's total petroleum asphalt imports for the whole year decreasing 8.6% year-on-year. In addition, a large number of newly-built asphalt carriers (mainly large-tonnage carriers) have entered the market in recent years, thus market freight rates for asphalt carriers have declined further.

The Company overcame difficulties and made great efforts to increase marketing efforts, consolidate basic sources of goods, and actively open up new routes and develop new customers relying on long-accumulated brand strengths, to achieve total annual income of a relatively stable magnitude despite fierce competition. However, due to a sharp decline in freight rates and an increase in fuel costs, charter rates for asphalt carriers decreased by 28% year-on-year. During the reporting period, the Company introduced in 4 asphalt carriers in total. As of the end of the reporting period, the Company had 15 asphalt carriers weighing 114,400 DWT in total. The Company's asphalt carriers achieved an operating income of RMB 397 million, representing a year-on-year decrease of -1.50%, and accounting for 5.62% of total fleet operating income, for an operating profit of RMB -83 million.

IV. Summary of Main Operating Conditions during the Reporting Period

(I) Analysis of Main Business

In 2018, the Company achieved an operating income of RMB 7,576,116,168.03, representing a year-on-year increase of 16.40%. However, due to factors such as rising fuel costs, operating costs increased by 20.06% year-on-year, and the fleet's time charter rates decreased by 4.23% year-on-year. In 2018, the Company achieved a net profit attributable to the owner of the parent company of RMB 86,066,557.49, representing a year-on-year decrease of 63.77%.

1 Analysis of Changes in Items Relevant to Statements of Profit and Cash Flow

Monetary unit: Yuan Currency: RMB

Item	Amount of the Current Period	Amount of the Same Period in the Previous Year	Change Proportion (%)
Operation revenue	7,576,116,168.03	6,508,692,188.32	16.40
Operating cost	6,461,613,133.75	5,381,852,387.82	20.06
Sales expense	49,603,057.64	52,354,472.71	-5.26
Management expense	509,418,312.16	459,425,760.90	10.88
R&D expense	746,792.27	141,509.43	427.73
Financial expense	380,902,256.20	305,952,581.73	24.50
Impairment loss of assets	=	-1,431,741.87	Not applicable
Investment income	152,080,517.61	42,269,968.99	259.78
Income from asset disposal	-17,777,908.48	0.00	Not applicable
Net cash flows from operating activities	895,235,843.12	1,425,774,288.60	-37.21
Net cash flow from investment activities	-1,017,657,279.98	-1,369,430,883.20	Not applicable
Net cash flow from financing activities	-236,054,902.98	123,889,657.50	-290.54

Main reasons for change in operating income: During the reporting period, income from the shipping business increased commensurately with the increasing scale of the Company's transportation capacity.

Main reasons for change in operating cost: During the reporting period, fuel costs increased due to rising international fuel prices, and vessel leasing expense increased commensurately with the increase in the transport capacity of the vessels leased by the company.

Main reasons for change in sales expense: During the reporting period, goods transport expense and the cost of sales operations decreased.

Main reasons for change in management expense: During the reporting period, labor cost and consulting fee increased.

Main reasons for change in financial expense: During the reporting period, interest expense increased due increases in levels of shipbuilding loans and supplementary working capital borrowings, and exchange losses increased due to foreign currency exchange rate fluctuations.

Main reasons for change in impairment loss of assets: During the reporting period, there was a decline in the fair value of Guangdong COSCO Shipping Heavy Industry Co., Ltd in which an investment was held and treated as a financial asset available for sale. This led to losses due to impairment of assets of RMB 194 million.

Main reasons for change in investment income: During the reporting period, COSCO Finance Co., Ltd. In which an investment was held, recognized investment income of RMB 164 million related to stock ownership replacement.

Main reasons for change in income from asset disposal: During the reporting period, losses on disposal were incurred relating to sales of two vessels by the Company.

Main reasons for change in net cash flow from operating activities: During the reporting period, operating cash flows increased year on year due to fleet growth, and increases in costs such as port fees and vessel leasing fees.

Main reasons for change in net cash flow from investment activities: During the reporting period, shipbuilding contract stage payments were lower than those during the same period in the previous year.

Main reasons for change in net cash flow from financing activities: During the reporting period, bank loans decreased year on year.

2 ncome and Cost Analysis

(1) Information on main businesses by industry, product and area

Monetary unit: Yuan Currency: RMB

Main Businesses (by industry)						
Industry	Operation Revenue	Operating Cost	Gross Profit Rate (%)	Increase or Decrease in Operating Income Compared with the Previous Year	Increase or Decrease in Operating Cost Compared with the Previous Year	Increase or Decrease in Gross Profit Rate Compared with the Previous Year (%)

				(%)	(%)	
Shipping industry	7,069,180,691.72	6,188,917,675.67	12.45	17.50	21.19	Decrease of 2.67 percent points
Non-shipping industry	506,935,476.31	272,695,458.08	46.21	2.95	-0.92	Increase of 2.1 percent points
Main Businesses (by product)						
Product	Operation Revenue	Operating Cost	Gross Profit Rate (%)	Increase or Decrease in Operating Income Compared with the Previous Year (%)	Increase or Decrease in Operating Cost Compared with the Previous Year (%)	Increase or Decrease in Gross Profit Rate Compared with the Previous Year (%)
Multi-purpose vessels	2,909,665,455.72	2,708,395,092.67	6.92	21.51	23.91	Decrease of 1.81 percent points
Heavy lift vessels	1,379,783,849.72	1,170,313,607.62	15.18	20.48	13.27	Increase of 5.4 percent points
Semi-submersible vessels	1,522,555,925.83	1,112,848,325.36	26.91	18.81	52.18	Decrease of 16.03 percent points
Timber carriers	515,890,754.99	472,682,501.48	8.38	5.60	-9.82	Increase of 15.66 percent points
Asphalt carriers	396,976,594.51	434,123,744.41	-9.36	-1.50	20.39	Decrease of 19.89 percent points
Car carriers	344,308,110.95	290,554,404.13	15.61	13.53	6.94	Increase of 5.2 percent points
Total	7,069,180,691.72	6,188,917,675.67	12.45	17.50	21.19	Decrease of 2.67 percent points
Main Businesses (by area)						
Area	Operation Revenue	Operating Cost	Gross Profit Rate (%)	Increase or Decrease in Operating Income Compared with the Previous Year (%)	Increase or Decrease in Operating Cost Compared with the Previous Year (%)	Increase or Decrease in Gross Profit Rate Compared with the Previous Year (%)
Import transportation	2,012,040,269.55	1,993,069,411.66	0.94	31.93	25.15	Increase of 5.36 percent points
Export transportation	2,665,119,041.83	2,122,315,476.70	20.37	7.42	5.62	Increase of 1.36 percent points
Coastal transportation	467,566,403.21	465,144,900.52	0.52	28.12	63.83	Decrease of 21.68 percent points

Third country transportation	1,924,454,977.13	1,608,387,886.80	16.42	16.97	31.75	Decrease of 9.38 percent points
Total	7,069,180,691.72	6,188,917,675.67	12.45	17.50	21.19	Decrease of 2.67 percent points

Vessel Type	2018 Time Charter Rate (USD/operating day)	2017 Time Charter Rate (USD/operating day)	Increase/Decrease in Time Charter Rate Compared with Same Period in Previous Year (%)
Multi-purpose vessels	9,398.03	8,503.19	10.52
Heavy lift vessels	11,430.26	9,284.67	23.11
Semi-submersible vessels	34,698.94	50,304.66	-31.02
Timber carriers	9,126.90	6,319.79	44.42
Asphalt carriers	6,561.24	9,139.40	-28.21
Car carriers	10,650.73	9,864.33	7.97
Total	10,956.33	11,440.57	-4.23

Note 1: In the table above, 'multi-purpose vessels' includes leased general cargo vessels; 'car carriers' includes leased roll-on and roll-off vessels;

Note 2: The table above excludes relevant data on freight rates.

(2) Cost analysis

Unit: Yuan (RMB)

Condition (by industry)							
Industry	Cost Items	Amount of the Current Period	Proportion of the Amount in the Current Period out of the Total Cost (%)	Amount of the Same Period in the Previous Year	Proportion of the Amount in the Same Period of the Previous Year out of the Total Cost (%)	Proportion of Change in the Amount of the Current Period Compared with the Same Period in the Previous Year (%)	Remarks
Shipping industry	Fuel	1,722,008,171.80	26.65	1,307,622,567.92	24.30	31.69	Fuel price rose and fuel cost increased
	Port disbursement account	1,285,207,544.07	19.89	1,112,546,072.44	20.67	15.52	Cargo charges rose due to an increase in shipping volume
	Crew expense	852,987,613.53	13.20	761,238,652.29	14.14	12.05	Labor costs for crew members rose due to an increase in the number of

							vessels
	Depreciation expense	838,459,479.74	12.98	815,727,958.16	15.16	2.79	New vessels put into operation
	Vessel leasing expense	747,315,073.35	11.57	427,307,588.64	7.94	74.89	Increased scale of leased vessels

(II) Analysis of assets and liabilities

√Applicable "□ Not applicable"

1 Situation of Assets and Liabilities

Unit: Yuan (RMB)

Item	Amount at the End of the Current Period	Proportion of the Amount at the End of the Current Period out of the Total Assets (%)	Amount at the End of the Previous Period	Proportion of the Amount at the End of the Previous Period out of the Total Assets (%)	Proportion of Change in the Amount at the End of the Current Period Compared with that at the End of Previous Period (%)	Remarks
Bills and accounts receivable	758,119,140.07	3.50	452,706,341.19	2.13	67.46	Due to an increase of freight charges in arrears at the end of the reporting period
Prepayments	677,252,283.04	3.13	487,682,625.00	2.29	38.87	Increase in harbor fees accrued at the end of the reporting period
Other receivables	82,426,553.36	0.38	59,674,969.78	0.28	38.13	Increase in the number of leased vessels resulted in an increase in advance payments for leased vessels during the reporting period
Inventories	394,565,795.09	1.82	259,422,165.27	1.22	52.09	Value of fuel oil stored in vessels increased due to rising fuel prices during the reporting period
Other current assets	110,687,925.80	0.51	192,463,735.59	0.91	-42.49	Input taxes VAT to be reclaimed at the end of the reporting period decreased
Projects under construction	307,375,828.56	1.42	170,897,946.71	0.80	79.86	Number of vessels under construction at

						the end of the reporting period decreased
Short-term borrowings	650,000,000.00	3.00	90,000,000.00	0.42	622.22	Due to an increase in working capital borrowings during the reporting period
Accounts received in advance	120,277,133.88	0.56	327,741,086.22	1.54	-63.30	Advances in respect of voyages unfinished at the end of the reporting period decreased
Taxes payable	17,755,718.34	0.08	9,048,226.65	0.04	96.23	Corporate income tax payable at the end of the reporting period increased
Non-current liabilities due within one year	2,071,950,206.68	9.56	721,420,551.49	3.39	187.20	Bank borrowings due within one year at the end of the reporting period increased

V Discussion and Analysis of the Future Development of the Company

(I) Industrial Pattern and Trend

√Applicable "□ Not applicable"

According to the World Bank's World Economic Outlook report, global economic growth is expected to slow to 2.9% and 2.8% in 2019, 2020, respectively. Factors such as the weak global economic recovery, Sino-US trade frictions, and continued fluctuations in oil prices will all affect the international shipping market. According to forecasts released by Clarkson, international dry bulk shipping trade volumes in 2019 will reach 5,340 million tons, representing an increase of 2.4% year on year. Shipping capacity growth of 2.8% is expected, with the dry bulk transportation market still in a stage of recovery and adjustment. In 2019, the balance of transportation industry supply and demand is expected to improve slightly. According to Clarkson's forecasts, in 2019, container shipping demand will increase by 4.4% while shipping capacity growth will slow to 3.2%.

The various sectors of the specialized shipping market continue to face many opportunities and challenges, and only a weak recovery is expected, entailing continued "adjustment to shocks and localized improvements".

1 Market for Multi-purpose Vessels and Heavy Lift Vessels

According to forecasts released by Drewry, the annual growth rate of overall global cargo demand will be about 1.6%, in 2019. In 2019, the market for multi-purpose and heavy lift vessels will face diverse competition. However, in the long term, there will be opportunities for these markets to recover: First, global infrastructure investment prospects will improve; in particular, the regional markets of the

"Belt and Road" are promising. According to estimates from the Development Research Center of the State Council, infrastructure investment required in areas along the "Belt and Road" could reach 10.6 trillion US dollars over 2016 to 2020, with long-term and sustained stimulative effects on exports of construction machinery and other equipment. Second, the world rail transit industry is continuing to expand, with the global rail transport market reaching a scale of 183 billion euros annually. At the same time, a large number of vehicles in existing rail fleets are also approaching renewal due to their long operational history, and increasing rail line operational densities. This is expected to drive equipment exports from China to the rest of the world. Third, the international new energy market is growing rapidly, and wind power and nuclear power installations are entering a growth phase. According to forecasts released by The Global Wind Energy Council (GWEC), global wind power installed capacity will increase 56% to 840 GW by end-2022. According to International Energy Agency (IEA) estimates, by 2040, global nuclear power production will increase by about 46% with investment reaching 1.1 trillion US dollars.

2 Market for Semi-submersible Vessels

The downturn in the spot market for semi-submersible vessels continues, and short-term headwinds remain. However, its prospects are expected to improve. In recent years, oil service companies' production costs have declined continuously, with continuous improvements at the technical level. Moreover, their operational capacities have been continuously optimized, so expectations remain for recovery in the growth of upstream oil and gas industries capital expenditures. According to forecasts released by IHS and other institutions, a 9% compound growth rate will be maintained for global oil and gas exploration, development, production and investment from 2019 to 2021. In addition, as increasing numbers of offshore oilfields enter the middle and late stages of production, well abandonment phase activities should show explosive growth over the next 10 years, with over one thousand oil platforms and nearly ten thousand oil wells expected to be abandoned. From a domestic perspective, national policies promoting development of a marine equipment manufacturing industry are also expected to have a positive impact on the market for semi-submersible vessels.

3 Market for Timber Carriers

According to forecasts released by CLARKSON, in 2019, the shipping volume of forest products will reach 384 million tons, representing an increase of about 3% compared with 2018. China's timber import needs remain substantial. However, Chinese timber imports also face some challenges. First, domestic timber demand growth may slow in 2019 due to factors including supply-side structural reform, the downturn in real estate markets, and overstocks of timber. Second, Nigeria, Mozambique, Equatorial Guinea and other countries in Africa have successively implemented timber export ban policies. In particular, Equatorial Guinea, one of China's largest sources of African log imports, will ban the export of logs from 2019, putting pressure on the African side of the timber freight market. On the other hand, Australia and New Zealand can supply sufficient timber, and trade remains active with great potential for market development.

4 Market for Car Carriers

2019, domestic car sales of 28 million are expected, unchanged from 2018. Affected by the implementation of the National Road Transport Vehicle Renovation Plan (GB1589), there will be a partial shift in car transport from land to water. In 2019, the proportion of roll-on and roll-off vessels is thus expected to increase further. Headwinds from world economic growth, insufficient end-user demand and uncertainty due to trade frictions suggest that global car sales growth will slow, and it is estimated that the compound annual growth rate in car sales over the next 5 years will be less than 2%. Due to various factors, the future growth of Chinese car exports remains uncertain.

5 Market for Asphalt Carriers

From 2019 to 2020, it is estimated that highway construction in China will reach 23,600 kilometers, as the nation enters the second half stage of the "13th Five-Year Plan". Road construction investment is expected to recover slightly. In addition, highways built in earlier stages are approaching the point where periodic maintenance will be required, supporting asphalt consumption. However, external supplies of asphalt are likely to display a tightening trend. With the transformation of refinery units in South Korea, continuous fluctuations in crude oil prices, and the IMO's sulfur restriction order coming into effect, overseas asphalt production capacity may decline further. Thus no actual increase in asphalt production before 2020 is expected. In addition, excessive transport capacity among asphalt carriers remains severe, and it is unlikely to improve in the short term. The imbalance between supply and demand in the asphalt market is therefore expected to continue.

(II) The Company's Development Strategy

√Applicable "□ Not applicable"

The Company's strategic objective is to "become the leading competitor in global specialized shipping and leading international engineering logistics service company". The Company will adhere to a development strategy of "specialization" and continuously enhance its core competitiveness, in order to establish and maintain its leading position in the global specialized shipping market.

First, the Company will create exclusive strengths to obtain competitive advantages. Through its unique technical strengths, the Company will provide customers with the safest and most efficient loading, unloading and transportation schemes, eliminate low-level competition, establish the industry baseline, and then continuously consolidate its brand image, enhance customer stickiness, and finally establish comprehensive strengths that competitors cannot surpass.

Second, the Company will fully leverage economies of scale to enhance its market impact. The Company will pay close attention to the future development of large capacity market segments with good prospects for development. It will continue to promote the adjustment and optimization of its fleet structure. It will develop the fleet through comprehensive adoption of construction, purchasing, leasing, joint venture and other modes of expansion, to achieve a leading global position in terms of scale, and dominate market operations. Meanwhile, the Company will continue to customize vessels for major customers, large projects and large COA contracts, adopting the concept of "project-based shipbuilding" to lock in profits and control risks.

Third, the Company will continue to move ahead in innovation, leading the development of the specialized ship industry. The company will make active efforts to be open-minded, adopt new technologies, tools and ideas, and constantly innovate in its marketing, business model and customer service, always remaining at the forefront of the specialized ship industry.

Fourth, the Company will promote service improvements and expansion of its space of development. It will return to shipping industry service fundamentals, adhering to "customer-centered, market-oriented" concepts, continuously improving its technical strength according to the individualized needs of customers, expanding its range of services, strengthen overall logistics capability, improving the overall service levels, until it is ultimately able to offer of a whole-industry value-chain service to customers, maximizing the Company's value by increasing the value provided to customers.

The company will seize opportunities arising, speed up its development, and continuously pursue high-quality development. With the objective of "outperforming the market, outperforming in reform and outperforming in this era", the company will strive continuously towards world-class global competitiveness.

VI Reasons for Suspension of Listing

"□ Applicable" "√ Not applicable"

VII Circumstances Surrounding and Reasons for Facing Termination of Listing

"□ Applicable" "√ Not applicable"

VIII Analysis of Reasons for and Impacts of Changes in the Accounting Policies and Estimates

√Applicable "□ Not applicable"

The estimated net salvage value of the Company's vessel assets is stated based on the estimated scrap price of shipbuilding steel, which was reviewed and approved during the seventeenth meeting of the sixth Board of Directors. In order to reflect the estimated salvage value of vessel fixed assets more objectively, the Board of Directors agreed to change the estimated net salvage value of Company-owned vessels from US$ 280/light displacement ton to US$ 330/light displacement to, in accordance with market changes. The above change in the accounting estimate will be adopted under future applicable laws and will come into effect on January 1, 2018.

This change in an accounting estimate will reduce the Company's 2018 depreciation expense by RMB 21,509,900, correspondingly increasing its net profit by RMB 17,752,700, attributable to the parent company.

IX Analysis and Explanation of Reasons for and Impacts of the Correction of Major Accounting Errors

"□ Applicable" "√ Not applicable"

X Where the Scope of Consolidation of the Financial Statement is Different from that of the Financial Report of the Previous Year, the Company Is Required to Give a Specific Explanation.

√Applicable "□ Not applicable"

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and includes the financial statements of the Company and all of its subsidiaries. Subsidiary refers to an enterprise or entity under the control of the Company. Five second-level subsidiaries were included in the Company's scope of consolidation in 2018, one subsidiary less compared with the previous period. For the details, see "Note VI. Change of Scope of Consolidation " and "Note VII. Interests in Other Entities" in the Annual Report.