

International Trade

In 2018, our trading activities in more than 80 countries and regions around the world maintained a focus on resource allocation and global deployment and achieved steady and robust results in trading and shipping of crude oil, refined products, natural gas and chemicals. Our three international operation hubs in Singapore, London and New York continued to improve operation management and enjoyed an increased presence in the international markets. We reported trading volume of 480 million tons, worth USD 236.7 billion, up 2.5% and 28.4% year-on-year respectively, with sales revenue standing for the first time above RMB 1 trillion, up 20% from a year earlier.

Crude oil trading amounted to 260 million tons for the full year, up 1.9% year-on-year. Leveraging our trading expertise and a global distribution network, we continued to boost the sales of overseas equity oil through a holistic approach to planning, market development, storage & transportation and distribution. Crude oil purchases have remained safe and stable, leveraging improved capabilities for the transportation of crude oil as well as the construction and operation of oil terminals and oil depots. After the debut of yuan-denominated crude oil futures contract in 2018, we have been actively engaging in oil-futures trading processes at Shanghai Futures Exchange, covering registration, buying and selling of warehouse receipts.

Refined product exports expanded for the first time into the Canada and US markets and long-term supply contracts were signed with clients in Australia, Japan, Vietnam, Mexico and the Middle East. We continued to tap into the retail market of refined products, with a steadily rising market share. Our full-year refined product exports hit the all-time high of 15.89 million tons in 2018.

The trade volume of natural gas reached 130.6 billion cubic meters, up 7% year-on-year. Further progress was made in the negotiations over the Central Asia-China Russia-China, Myanmar-China and LNG projects, etc. Long-term agreements were signed with KazTransGaz, Cheniere Energy and Qatargas, in a bid to ensure a secure supply of natural gas in the domestic market. We were gradually shifting from a natural gas importer to an exporter, with steady growth in trade volume in Japanese and Korean markets and a successful entry into markets in Southwest Europe, South America and South Asia, etc.

Consolidating resources and markets at home and abroad, we expanded imports and exports in chemical products, e.g. polyolefin, methanol and polypropylene, etc. Meanwhile, more lucrative items such as raw materials for polyester fibers, alcohol ether and carbon products generated good results.

Our freight shipping operations have refocused on a global network, optimized service offering and collaborative efforts to ensure continuous improvement in service capabilities and operational efficiency. We have partnered with 34 oil tanker and bulk carrier owners worldwide and deepened business ties with domestic shipping companies, including COSCO and China Merchants Group.

Overseas Operation Hubs

Our three overseas operation hubs in Singapore, London and New York are showing progress in bolstering operational efficiency and market presence.

The Asian operation hub has proceeded with a fine-tuning strategy of its crude oil sales by introducing the concept of "crude oil supermarket" and offering "one-stop" solutions for end users. We gained a 20%+ share in emerging markets such as Sri Lanka and Myanmar, leveraging a targeted approach to credit extension and tailored schedules for time charter and gasoline-diesel LTL shipping. As a new breakthrough in natural gas trading, LNG resale to Japan, Korea, Thailand, Singapore, India and Pakistan amounted to 5.02 million tons, heralding a "boom in both oil and gas trading".

The European operation hub continued to sell equity oil from Kazakhstan, Sudan, and Chad and spot LNG from Russia's Yamal plant. The long-term sales contracts for crude oil from Nigeria and Chad provided a solid foundation for developing the African market. The operation hub traded 700,000 tons of biodiesel for the full year, ranking among the top 3 biodiesel suppliers in Europe.

The American operation hub has experienced fast-paced growth. The development of logistics routes linking the heavy oil project in Canada with the US market and the international markets contributed to a timely response to discount volatility and a significant revenue increase from Canadian crude oil in 2018. Natural gas sales expanded as a result of cross-region collaboration. The operation hub began to sell LNG cargos to the Latin American markets. The equity delivery document and a shareholder agreement with Brazil's TT Work were signed to acquire a 30% stake in the company. The refined product marketing network is taking shape in Latin America.