



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)



2021
INTERIM REPORT

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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 2021 (THE “REPORTING PERIOD”)

(1) Industry and Characteristics

The industry where the Group operates is crude oil and product oil, liquefied natural gas, and chemicals shipping industry. It is mainly engaged in international and domestic coastal shipping of crude and product oil, international LNG transportation and international chemical transportation. Among them:

The international oil tanker transportation represents the largest, most efficient oil transportation method with the lowest costs. The industry is featured by high investment thresholds and requires strong management expertise, making it a fully competitive market segment. Fleet size and vessel management expertise is one of the core competitiveness of international oil tanker companies. Petroleum is an important strategic material that supports the development of the national economy and society. Domestically, backed by huge oil import demand and abundant large-scale customer resources, the Group enjoys an important position in China’s oil import transportation by virtue of its excellent vessel management expertise and a considerable number of oil tankers.

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 liquefied natural gas (“LNG”) industrial chain, which involves massive funding and intensive technologies, is a complete chain process covering the entire supply chain of the natural gas industry. Currently, seaborne LNG transportation volume accounts for more than 80% of the world’s LNG volume transported. 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. Nowadays, the majority of vessels among the global LNG fleet are bound to particular LNG projects (“**project vessels**”), the most of which involve long-term time chartering contracts with the project parties so that charter incomes and investment yields are often stable.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) The competitive position and operation model in industry

By 30 June 2021, the Group owned and controlled 165 oil tankers with a total capacity of 24.91 million deadweight tons (“DWT”), including 154 self-owned oil tankers with a capacity of 21.87 million DWT, 11 chartered-in oil tankers with a capacity of 3.04 million DWT, and 3 oil tankers in order with a capacity of 0.42 million DWT. The joint venture and associate of the Group owned 13 oil tankers with a capacity of 0.81 million DWT. According to statistics of fleet size, the Group is the world’s largest oil tanker owner.

The Group is also a leading player in the coastal crude oil and product oil transportation industry in PRC. In the coastal crude oil transportation sector, the Group has maintained its position as an industry leader and a market share of over 55%. After completing of the acquisition of product oil tanker fleet of PetroChina in March 2018, the Group has become a flagship in the coastal product oil transportation market.

China COSCO SHIPPING Corporation Limited, the controlling shareholder of the Group, has formed a relatively complete industrial structure system in the upstream and downstream industrial chains of shipping, terminal, logistics, shipping finance, ship repair and building, and digital innovation, thus enjoying a worldwide reputation. Relying on the strong resource background and brand advantages of COSCO SHIPPING Group, the Group is enabled to implement large-scale refined procurement of bunker fuel, sign preferential port usage agreements, and enrich customer and route resources, and actively explore coordinated development with outstanding companies under the controlling shareholder, so as to enhance the value creation capabilities of the Group. Supported by the advantages of the controlling shareholder in comprehensive industrial chain resource, the Group is well positioned to provide better overall energy transportation solutions and value-added services for all parties, and continues to move towards the goal of “resource integrator” and “solution provider”.

Driven by the strategy of “self-transportation of national oil”, China’s influence in the global energy sector has become increasingly prominent, bringing huge business opportunities to the Group. As a leading domestic oil tanker owner, the Group is committed to providing high-quality energy transportation services to important domestic customers, with its global business network, solid vessel management expertise, and customer-centric marketing concepts. At the same time, the implementation of the strategy of “self-transportation of national oil” has brought a huge customer base and demand for cargo transportation to the Group. Through long-term, in-depth cooperation, the Group has established good partnerships with large domestic oil companies and domestic independent refineries, laying an important foundation for the business development and value creation capabilities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

The Group is also 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 at 30 June 2021, the Group had a total of 41 jointly-invested LNG vessels, including 38 LNG vessels in operation with capacity of 6.42 million cubic metres and 3 LNG vessels under construction with aggregate capacity of 0.52 million cubic metres, all of which are all bound to particular LNG projects and long-term lease contracts. In recent years, as the LNG carriers, for 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 are generally stable, providing a 'safety cushion' for the Group's operating results; and the international (foreign trade) oil transportation business provides cyclical elasticity in the Group's operating results.

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

(1) International oil shipping market

In the first half of 2021, the demand for petroleum was still suppressed by the COVID-19 epidemic. Although the demand for petroleum was gradually recovering with the continuous advancement of COVID-19 vaccination, it is still lower than the level before the epidemic. In the first half of 2021, global oil consumption was approximately 95.62 million barrels per day, representing an increase of 6.0% as compared with the same period in 2020, but a decrease of 4.5% as compared with the same period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In terms of demand for tanker transportation, in the first half of 2021, the seaborne oil trade continued its weak performance since the fourth quarter of 2020. At the same time, the tightening oil supply and rising oil prices have accelerated the progress of oil destocking. From January to June 2021, the commercial inventories of the Organization for Economic Co-operation and Development (“**OECD**”) fell from 3.03 billion barrels to 2.86 billion barrels. The process of destocking gives pressure to the demand for tanker transportation.

In terms of tanker supply, a total of 143 tankers with 16.13 million DWT were delivered and a total of 80 tankers with 5.63 million DWT were demolished; of which 23 VLCCs were delivered and 6 VLCCs were demolished. As at June 2021, the proportion of tankers over 15 years old is still as high as 27%, and there is still a lot of room for the old capacity to exit. In the first half of 2021, 141 new tanker orders were signed, among which 31 are new-ordered VLCC ships, which is approximate to the number of VLCC orders throughout the whole year of 2020.

Overall, although the oil demand is gradually recovering, the fundamentals of oversupply still make the international oil shipping market relatively depressed in the first half of 2021. Besides, in the first half of the year, the price of low-sulfur fuel showed an upward trend along with international crude oil prices, which puts pressure on the cost management of tank owners.

(2) Domestic oil shipping market

In the first half of 2021, the domestic economic situation was steadily improving, and the domestic oil shipping market remained stable in general. In the first half of the year, the transportation volume of coastal crude oil remained flat as compared with the same period of 2020, of which the demand for offshore oil and pipeline oil transportation was steadily rising; crude oil transshipment was affected by the overhaul of domestic refineries in the second quarter and PRC’s strict inspection on crude oil import quota transactions, resulting in a decline in transportation demand.

The coastal product oil transportation market showed a trend of decline after a positive trend. At the beginning of the year, the market maintained exuberance from last year, but with the introduction of the new domestic refined oil consumption tax policy, the market trade supply has been reduced.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(3) LNG shipping market

In the first half of 2021, the global LNG export volume of major countries reached approximately 191 million tonnes, representing an increase of approximately 8.2% as compared with the same period in 2020. Driven by the cold weather in the northern hemisphere in the first quarter and strong demand from Asian countries, especially China, the LNG trade volume increased continuously. In February 2021, the final investment decision has been obtained for the expansion project of the Northern Qatar Oil Field of 31.20 million tonnes per year. The approval regulations and restrictions for LNG export projects have been improved compared with 2020.

As at 30 June 2021, the global LNG fleet consisted of a total of 609 LNG carriers (excluding LNG bunkering vessels, FSRUs, FSUs and FLNG vessels) with a total capacity of approximately 92.86 million cubic metres, representing an increase of 42 carriers, or approximately 7.22 million cubic metres, compared with the same period of 2020.

3. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

By the end of June 2021, the Group held and controlled 165 oil tankers with 24.91 million DWT, representing a year-on-year increase of 13 vessels with 2.74 million DWT. In the first half of 2021, the Group realised a transportation volume (excluding time charters) of 81.25 million tonnes with a year-on-year increase of 0.2%; transportation turnover (excluding time charters) of 24.55 billion tonne-nautical miles with a year-on-year decrease of 4.8%; revenues from principal operations of RMB6.08 billion with a year-on-year decrease of 37.1%; cost of principal operations of RMB5.16 billion with a year-on-year decrease of 14.1%; gross profit margin decreased by 22.8 percentage points year-on-year; net profit attributable to shareholders of the Company was RMB0.58 billion with a year-on-year decrease of 80.3%; and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of RMB2.70 billion with a year-on-year decrease of 49.6%.

In the first half of 2021, the Group mainly took the following five methods and achieved better performance than the market average. Firstly, we accurately studied and judged market trends, and formulated diversified operating strategies that effectively improved voyage revenue. Secondly, we intensified our efforts in the exploitation of domestic oil shipping market, maximally allocated oil tankers with domestic and foreign trade qualifications to domestic operation and acquired the most profitable cargo. Thirdly, we focused on the development of LNG fleet and LNG transportation capacity scale recorded a year-on-year increase, further consolidating our stable income. Fourthly, we strengthened safety risk management, doubled our efforts in the inspection of potential safety hazards and normalized ship and shore epidemic prevention. Fifthly, we took various measures to promote cost management by implementing the cost plan into each cost project.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(1) Revenues from Principal Operations

For the six months ended 30 June 2021, overall conditions of the Group's principal operations classified 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 2020 (%)	Increase/ (decrease) in operating costs as compared with the same period in 2020 (%)	Increase/ (decrease) in gross profit margin as compared with the same period in 2020 (percentage points)
Domestic crude oil	1,549,443	951,515	38.6	13.2	1.8	6.9
Domestic refined oil	1,157,841	869,358	24.9	(1.2)	(10.4)	7.7
Domestic vessel chartering	54,524	38,253	29.8	11.9	2.8	6.2
Domestic oil shipping						
Sub-total	<u>2,761,808</u>	<u>1,859,125</u>	<u>32.7</u>	<u>6.7</u>	<u>(4.3)</u>	<u>7.7</u>
International crude oil	1,851,443	2,148,268	(16.0)	(63.0)	(25.6)	(58.3)
International refined oil	450,830	503,053	(11.6)	(37.5)	0.0	(41.8)
International vessel chartering	401,504	355,679	11.4	(39.7)	1.1	(35.7)
International Oil Shipping						
Sub-total	<u>2,703,776</u>	<u>3,007,000</u>	<u>(11.2)</u>	<u>(57.7)</u>	<u>(19.7)</u>	<u>(52.6)</u>
Oil shipping						
Sub Total	<u>5,465,584</u>	<u>4,866,125</u>	<u>11.0</u>	<u>(39.1)</u>	<u>(14.4)</u>	<u>(25.7)</u>
International LNG shipping	612,667	291,852	52.4	(5.7)	0.8	(3.1)
LPG shipping	0	0	0.0	(100.0)	(100.0)	N.A
Total	<u>6,078,251</u>	<u>5,157,977</u>	<u>15.1</u>	<u>(37.1)</u>	<u>(14.1)</u>	<u>(22.8)</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Principal Operations by Geographical Regions

Geographical regions	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenues as compared with the same period in 2020	Increase/ (decrease) in operating costs as compared with the same period in 2020	Increase/ (decrease) in gross profit margin as compared with the same period in 2020
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(%)
Domestic shipping	2,761,808	1,859,125	32.7	5.6	(4.7)	7.3
International shipping	3,316,443	3,298,852	0.5	(53.0)	(18.6)	(42.1)
Total	<u>6,078,251</u>	<u>5,157,977</u>	<u>15.1</u>	<u>(37.1)</u>	<u>(14.1)</u>	<u>(22.8)</u>

(2) Shipping Business – Oil and LNG Shipping

International oil shipping business:

In the first half of 2021, the international tanker fleet of the Group completed revenue from international oil shipping reached RMB2.70 billion, representing a year-on-year decrease of 57.7%; gross profit of the transportation reached RMB0.30 billion, representing a year-on-year decrease of RMB2.95 billion; and gross profit margin hit -11.2%, representing a year-on-year decrease of 52.6 percentage points. On the aspect of international tanker operation, the Group scientifically deployed its transportation capacity resources, optimized its fleet operation plan, and made active response to the extremely depressed international oil shipping market in the first half of 2021.

- (1) We served the globalized network by optimizing route planning and customer sourcing. Taking advantage of our global service outlets, we varied operating strategies for different types of vessels, and continued to increase efforts in the exploitation of the most profitable cargo; we signed new contract of affreightment (“COAs”) to lock in cargo; fully undertook the shipment of China’s refined oil export and built a big triangle route linking China, Singapore, Middle East and Far East. Additionally, we expanded eastward route to Australia and westward route to East Africa and Europe, which makes the route structure and customer groups increasingly diverse.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (2) We adjusted the vessel repair plan in a timely manner. Considering the changing international political and economic situations, the global epidemic, and the supply and demand of the oil shipping market, we fully assessed and adjusted the annual repair schedule for 32 vessels in a timely manner, effectively reducing the operating days of vessels in the extremely sluggish market, and making arrangements for subsequent market recovery.
- (3) We endeavored to tap the cost management. We focused on the control of bunker fuel consumption, optimized the most efficient voyage speed, and strictly monitored the fuel consumption of each process of the voyage. We strengthened market research and judgment, made coordinated and overall planning for fuel procurement, to ensure that the average purchase price is lower than the market in the same period, so as to achieve reduction in procurement expenditures.

Domestic oil shipping business:

In the first half of 2021, the domestic oil shipping market mainly remained stable. The operating performance of the domestic trade tanker fleet increased significantly year-on-year. The Group recorded domestic oil shipping revenue of RMB2.76 billion, representing a year-on-year increase of 6.7%; shipping gross profit of RMB0.90 billion, representing a year-on-year increase of 39.6%; and gross profit margin of 32.7%, representing a year-on-year increase of 7.7 percentage points. The Group actively adapted to market changes, and continuously made innovations in operating measures, to enhance the ability of creating efficiency for domestic oil shipping trade.

- (1) We increased our business exploitation. By signing COAs with a number of domestic trade customers, we locked in more than 90% of fundamental cargo sources. We acquired high-quality cargo, accurately served customers and expanded market share of domestic crude oil shipping, which reached approximately 57%;
- (2) We flexibly allied our domestic and international fleet. Firstly, we allied operation of domestic and international transportation to differentiate our transportation capacity allocation in response to the different domestic and international oil shipping market situations in the first half of 2021, and made full use of the operating capacity of domestic and international trade, to increase revenue and market share of domestic oil shipping, thus relieving operating pressure of international oil shipping. Secondly, we allied operation of crude and product oil transportation to deploy cargo across different income levels to maximize the overall income of the fleet according to different characteristic of the vessel. Thirdly, we allied operation of large and small ships to formulate a whole-process transportation plan before acquiring crude oil imports, and made close linkage with domestic trade and transshipment based on the customer's logistics demand, thus create value-added services for customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LNG shipping business:

In the first half of 2021, the Group realized a net profit attributable to parent company from the LNG shipping segment of RMB342 million, representing a year-on-year increase of 0.6%. The Group focus on new LNG projects development and enhanced ship management. In the first half of the year, the Group actively participated in the development of a number of new LNG projects under international tenders and followed up on key projects in an orderly manner. On the aspect of fleet management, the Group accelerated the promotion of a high-standard ship management system, equipped with high-quality management personnel and expanded a high-level crew team, so as to continuously enhance the capacity of the entire LNG transportation chain.

4. COST AND EXPENSES ANALYSIS

The Group has effectively reduced the voyage costs through optimisation of voyage speed efficiency and reasonable management and control of fuel consumption in every work procedure. During the Reporting Period, the fuel consumption of the Group cut down by 8.7% as compared to the same period of last year. Meanwhile, thanks to its integrated planning efforts, the Group reduced the procurement expenses with a purchase price of fuel lower than the market price in the same period.

The Group took the initiative to negotiate and sign new agreements for favourable port charges with domestic major ports, which has brought positive impact on cost control on ports cost of the Company during the first half of the year.

During the first half of 2021, the repair expenses of the Group decreased, mainly due to the decrease in the number of dry-docking vessels of the Group compared to the same period of 2020, and the implementation of new accounting method of estimation.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

For the six months ended 30 June 2021, the composition of the operating costs of the Group's main businesses is as follows:

	For the six months ended 30 June 2021 <i>(RMB'000)</i>	For the six months ended 30 June 2020 <i>(RMB'000)</i>	Increase/ (decrease) (%)	Composition ratio in the six months ended 30 June 2021 (%)
Oil shipping operating costs				
Items				
Fuel costs	1,448,224	1,769,337	(18.1)	29.8
Port costs	394,753	417,016	(5.3)	8.1
Sea crew costs	823,220	771,090	6.8	16.9
Lubricants expenses	141,083	154,811	(8.9)	2.9
Depreciation	1,223,961	1,294,057	(5.4)	25.2
Insurance expenses	86,217	96,997	(11.1)	1.8
Repair expenses	108,593	181,750	(40.3)	2.2
Charter costs	448,597	628,100	(28.6)	9.2
Others	191,477	371,353	(48.4)	3.9
Sub-total	4,866,125	5,684,510	(14.4)	100.0
LNG shipping operating costs				
Items				
Sea crew costs	51,922	48,314	7.5	17.8
Lubricants expenses	4,222	3,394	24.4	1.4
Depreciation	144,145	156,512	(7.9)	49.4
Insurance expenses	7,958	8,535	(6.8)	2.7
Repair expenses	68,286	59,990	13.8	23.4
Others	15,318	12,774	19.9	5.2
Sub-total	291,852	289,520	0.8	100.0
LPG shipping operating costs				
Sub-total	-	27,918	100.0	N.A
Total	5,157,977	6,001,948	(14.1)	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

5. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

In the first half of 2021, the two major joint venture and associate of the Group realized a total operating revenue of approximately RMB1,253 million and a total net profit attributable to the parent of approximately RMB689 million with a year-on-year decrease of 8.1%. The Group recognized investment income from joint ventures and associates of approximately RMB478 million with a year-on-year decrease of 4.2%.

- (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 <i>(billion tonne-nautical miles)</i>	Operating revenues <i>(RMB'000)</i>	Net profit <i>(attributed to the parent)</i> <i>(RMB'000)</i>
CLNG	50%	34.52	486,328	431,763

- (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 <i>(billion tonne-nautical miles)</i>	Operating revenues <i>(RMB'000)</i>	Net profit <i>(attributed to the parent)</i> <i>(RMB'000)</i>
Shanghai Beihai Shipping Company Limited	40%	8.70	766,858	257,364

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 RMB1,605,367,000, representing a decrease of approximately 54% as compared to approximately RMB3,507,055,000 for a six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) Capital commitments

	Note	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	3,696,910	5,382,212
Project investments	(ii)	<u>918,626</u>	<u>–</u>
		<u>4,615,536</u>	<u>5,382,212</u>

Note:

- (i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2021 to 2023.
- (ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects to be held by Shanghai LNG.

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 RMB32,376,000 (31 December 2020: RMB43,168,000).

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 2021 and 31 December 2020 is as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Total debts	25,120,894	26,034,274
Less: cash and cash equivalents	(3,758,213)	(4,869,963)
Net debt	21,362,681	21,164,311
Total equity	35,610,492	35,602,346
Net debt-to-equity ratio	60%	59%

As at 30 June 2021, the balance of cash and cash equivalents amounted to RMB3,758,213,000, representing a decrease of RMB1,111,750,000 and by 23% 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 ("HKD") and other currencies.

As at 30 June 2021, the Group's net gearing ratio (i.e. net debts over total equity) was 60%, which was near to 59% as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(4) Trade and bills receivables and contract assets

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Trade and bills receivables from third parties	916,742	450,899
Trade receivables from related companies (Note)	246,671	211,935
Trade receivables from fellow subsidiaries	9,651	16,942
Trade receivables from a joint venture	<u>70</u>	<u>35</u>
	<u>1,173,134</u>	<u>679,811</u>
Less: allowance for doubtful debts	<u>(16,919)</u>	<u>(11,302)</u>
	<u>1,156,215</u>	<u>668,509</u>
Current contract assets relating to oil shipment contracts	552,528	636,761
Less: allowance	<u>(4,689)</u>	<u>(4,718)</u>
Total contract assets	<u>547,839</u>	<u>632,043</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 receivables from 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 period, based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June	31 December
	2021	2020
	RMB'000	<i>RMB'000</i>
Within 3 months	982,874	514,041
4 – 6 months	39,497	73,717
7 – 9 months	56,480	31,587
10 – 12 months	27,764	28,788
1 – 2 years	46,662	19,984
Over 2 years	2,938	392
	<u>1,156,215</u>	<u>668,509</u>

(5) Trade and bills payables

	30 June	31 December
	2021	2020
	RMB'000	<i>RMB'000</i>
Trade and bills payables to third parties	790,885	937,020
Trade payables to fellow subsidiaries	623,682	662,178
Trade payables to an associate	5,888	5,353
Trade payables to related companies (Note)	415	5,553
	<u>1,420,870</u>	<u>1,610,104</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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 3 months	1,110,958	1,257,446
4 – 6 months	45,076	61,626
7 – 9 months	29,227	30,439
10 – 12 months	13,043	13,382
1 – 2 years	49,008	38,010
Over 2 years	173,558	209,201
	1,420,870	1,610,104
	1,420,870	1,610,104

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 2021, the Group had interest rate swap agreements with total notional principal amount of approximately USD517,561,000 (equivalent to approximately RMB3,343,496,000) (31 December 2020: approximately USD527,507,000, equivalent to approximately RMB3,441,930,000) which will mature in 2031, 2032 and 2033 (31 December 2020: 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 2020: 3-month LIBOR plus 2.20%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(7) Interest-bearing bank and other borrowings

As at 30 June 2021 and 31 December 2020, details of the interest-bearing bank and other borrowings are as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	1,302,318	1,303,003
Unsecured	<u>5,105,968</u>	<u>5,346,418</u>
	<u>6,408,286</u>	<u>6,649,421</u>
(ii) Other borrowings		
Unsecured	<u>33,000</u>	<u>33,000</u>
Interest-bearing bank and other borrowings – current portion	<u><u>6,441,286</u></u>	<u><u>6,682,421</u></u>
Non-current liabilities		
(i) Bank borrowings		
Secured	12,448,646	12,851,065
Unsecured	<u>839,813</u>	<u>848,237</u>
	<u>13,288,459</u>	<u>13,699,302</u>
(ii) Other borrowings		
Unsecured	<u>69,850</u>	<u>109,850</u>
Interest-bearing bank and other borrowings – non-current portion	<u><u>13,358,309</u></u>	<u><u>13,809,152</u></u>

As at 30 June 2021, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 46 (31 December 2020: 45) vessels with total net carrying amount of RMB21,462,931,000 (31 December 2020: RMB23,326,942,000) and pledged bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(8) Bonds payable

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
At the beginning of the period/year	2,495,824	2,493,477
Interest charge	1,194	2,347
Less: principal repayment	-	-
	2,497,018	2,495,824
Non-current portion	2,497,018	2,495,824

(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 shipbuilding contract for one LNG vessel. After the completion of each LNG vessel, the Four Associates would, in accordance with time charters agreements to be signed, lease their LNG vessels to the following charterers respectively:

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

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

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 RMB52,973,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

- (ii) At the 7th Board meeting in 2014, 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. As at 30 June 2021, the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB41,345,000).

- (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 USD377,500,000 (equivalent to approximately RMB2,438,688,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company’s indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.
- (iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited (“**Four Single-vessel Companies**”). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provided owner’s guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB34,588,000). 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 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 are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 30 June 2021 and 31 December 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

7. FLEET EXPANSION PROJECTS

For the six months ended 30 June 2021, the cash inflow from investment activities of the Group, which has been paid for the construction and purchase of new vessels, was approximately RMB1.70 billion.

In terms of fleet expansion, for the six months ended 30 June 2021, the Group's subsidiaries received 4 oil tankers of 896,000 DWT.

As at 30 June 2021, 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	154	21,867	10.0	3	419
LNG carrier	<u>6</u>	<u>1,045</u>	<u>3.9</u>	<u>3</u>	<u>522</u>
Sub-total	<u>160</u>	<u>21,867/1,045</u>	<u>9.8</u>	<u>6</u>	<u>419/522</u>
Long-term charter-in oil tanker	<u>11</u>	<u>3,044</u>	<u>11.6</u>	<u>0</u>	<u>0</u>
Joint ventures and associates					
Oil tanker	13	810	9.8	2	165
LNG carrier	<u>32</u>	<u>5,370</u>	<u>6.9</u>	<u>0</u>	<u>0</u>
Sub-total	<u>45</u>	<u>810/5,370</u>	<u>6.1</u>	<u>2</u>	<u>165</u>
Total	<u><u>216</u></u>	<u><u>25,721/6,415</u></u>	<u><u>9.1</u></u>	<u><u>8</u></u>	<u><u>584/522</u></u>

8. EPIDEMIC PREVENTION AND CONTROL

In the first half of 2021, the COVID-19 epidemic continued to pose challenges to the operation of shipping companies. The Group closely monitored the development of the global epidemic, formulated and adjusted its vessel epidemic prevention and control plans and specific measures in accordance with the actual operating conditions of vessels and strengthened remote inspection of vessels at key epidemic prevention ports through the vessel CCTV system.

At the same time, the Group continued to play a leading role in the industry by providing support for the health and safety of crew members, effectively linking up resources from various parties to arrange crew shift changes and actively coordinating with crew management companies to arrange for COVID-19 vaccinations for the crew members.

As at 30 August 2021, the percentage of vaccinated crew members on board of the Group's own vessels reached 83%.

9. OUTLOOKS AND HIGHLIGHTS OF THE SECOND HALF OF 2021

(1) Competitive landscape and development trends in the industry

International oil shipping market

In the second half of 2021, the expectation of gradual improvement in oil demand and the shrink of OPEC+ production reduction will promote the recovery of shipping oil trade. At the same time, with the end of the maintenance season, the run rates of refineries will gradually recover. Superimposed on the traditional peak season of oil transportation in the fourth quarter, it is expected that the demand side will be further improved. The U.S. Energy Information Administration ("EIA") predicts that oil demand in the second half of the year will be 99.60 million barrels per day, an increase of approximately 4% as compared to the first half of the year. Moreover, key market signals, such as global crude oil inventory levels falling back to normal levels, increased asset prices and rise in scrap steel prices, indicate that the foundation for market recovery is being established. However, the COVID-19 epidemic remains an uncertainty.

In terms of tanker supply, new ship deliveries are expected to remain low over the next two years. Also, with the trend towards a greener shipping industry, older ships tends to be withdrawn from the market to accommodate cleaner fuels and to respond to the industry's environmental policies. In the second half of 2021, tanker capacity will continue to maintain slow growth and the fleet structure will be stable and healthy. There remains a strong certainty regarding the optimization of the supply side, which supports the continued improvement of the international oil tanker market landscape.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Domestic oil shipping market

The second batch of crude oil import quotas for 2021 has reduced year-on-year. In the short term, the growth rate of China's crude oil imports is expected to slow down, indirectly leading to a decline in the demand for transshipment oil transportation. But at the same time, local refineries are expected to increase their purchases of offshore oil, and the price of offshore oil is expected to rise with increase in long-haul transportation ratio. As local refineries will resume operations in September, and with the plan to start production of new refineries in the fourth quarter, the overall domestic crude oil transportation demand will increase to a certain extent. The overall domestic product oil market is stable and improving, and the sources of supply are expected to increase. The impact of domestic product oil market trade brought by the advancement towards the target of "carbon neutrality, carbon peaking" and the implementation of the domestic product oil consumption tax policy are expected to gradually reveal in the first half of next year.

LNG shipping market

In 2021, the global maritime LNG trade volume was expected to grow by 5.2% year-on-year, and the demand from China will account for 60% of the additional volume. At the same time, investment decisions are expected to come to the final stage regarding those LNG export projects were postponed in 2020 in the second half of 2021. In 2021, the global LNG liquefaction capacity can reach approximately 448 million tonnes/year, and it is expected to reach nearly 651 million tonnes/year by 2026.

The global LNG trade expects to maintain growth trends from 2021 to 2024. The United States and Qatar will become two export centers, while Asia, especially China and India will become main drivers of demand growth. The '*turning coal into gas*' program in China will bring a continuous growth. Furthermore, the global LNG re-gasification capacity is expected to increase, and about 76% construction projects of re-gasification are located in Asia. In the medium and long run, the prospects of LNG trade are still optimistic. With the emerging clean and low-carbonization transformation, clean energy consumption growth is expected to continue and natural gas demand is expected to maintain rapid growth. In natural gas trade, LNG shipping will continue to play vital role.

(2) Highlights for the second half of 2021

In the second half of 2021, the Group will actively seize market occasions, proactively explore new opportunities, adopt effective methods to challenges, continue to give strategic guidance, optimize industrial layout, strengthen sound operation, advocate value creation, and realize sustainable development of the Company by focusing on high-quality development, reform and innovation leverage, and benchmarking management.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (1) **Continue to optimize the Company's fleet structure.** The Group will fully review the ship age structure and ship type distribution, and include ships with low carbon emissions and excellent energy consumption attributes according to the needs of business development, and at the same time, dispose of the old tonnage when the opportunity arises. The Group will maintain its leading capacity scale and advantages in business structure, enhance the market competitiveness of the overall fleet, and provide customers with services of higher quality.
- (2) **Actively promote green development of the Company.** The Group will follow the trend of global energy green transformation, and use digital lean fleet operation management to optimize navigation speed and reduce fleet carbon emission intensity. The Group will closely follow the carbon emission reduction requirements of the industry, formulate carbon emission targets and implementation paths. The Group will strengthen technical exchanges and cooperation with competent authorities and classification societies, pay attention to the latest technological development directions in the industry, and actively make necessary reserves of new energy power and energy-saving technologies.
- (3) **Firmly establish risk management mechanism.** The Group will accurately identify and prevent safety risks, formulate a "one ship, one policy" safety management plan to secure fleet operation; deepen the implementation of the 3rd version of action plan of 'Caring the Crew, Guarding the Ship', and take various detailed measures to build the "crew empowerment system", launch the 'Crew Health Action Plan', and make proper arrangement about crew shift under the normalized prevention during the global epidemic.
- (4) **Actively promote business model innovation.** In the second half of 2021, CHINA POOL, an associated operating entity of VLCC under the Group and also the first associated operating entity of oil tanker in China, will officially operate in public. The Group plans to put all its own and controlled VLCC spot capacity into the operation of CHINA POOL. With the addition of external capacity, it will further expand the control capacity of the associated operating entity and provide customers with more available tonnage. At the same time, it will help expand our market share, enhance our market voice, and increase the profitability of the fleet.
- (5) **Adopt multiple measures to raise the efficiency of each segment.** The Group will closely follow the adjustment of the national energy strategy and serve the national energy transportation; achieve common development accompanied by the industrial needs of state-owned and private refining-chemical and trading companies. At the same time, the Group will pay close attention to market trends, strengthen customer maintenance and market development, seize market opportunities, and maximize our gains. Among which:

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

For international oil shipment business, the Group will reasonably match long and short routes according to different ship parameters, strengthen the sourcing of goods from third countries, make the route layout more international, diversified and market-oriented, and effectively avoid market risks. The Group will take advantage of the possible strong market rebound in the fourth quarter and find opportunities for time-rental leases to lock in medium to long term stable income.

For domestic oil shipping business, the Group will actively track changes in market demand, flexibly carry out fleet linkage, and further improve customer service levels by providing logistics optimization solutions and improving capacity adaptation. The Group will strengthen the development of new customers and expand the incremental market, while consolidating the source of high-yield goods and increasing the proportion of high-yield routes.

For LNG business, the Group will seize the opportunity of the successive commencement of refining and chemical production worldwide, and accelerate the acquiring of international LNG transportation projects. The Company will follow up opportunities arising from transformation and study the market under China's goal of "striving to see the peak of carbon dioxide emissions by 2030, and striving to achieve carbon neutrality by 2060", and look for domestic LNG transportation and project opportunities in the upstream and downstream of the industrial chain.

Meanwhile, the Group will continue to promote lean control of fuel costs, focus on saving on fuel procurement and consumption and implement correspondingly. The Group will also strengthen precise design and full monitoring fuel consumption in navigation, thus, consistently reduce the variable cost of voyages in the downturn of the market.

- (6) **Integrate advanced management idea and enrich corporate management capacity.** China COSCO SHIPPING Corporation Limited, the controlling shareholder of the Group, is a vital practitioner in management benchmark establishment among key state-owned enterprises. The Group is selected as a 'Model Enterprise' by the State-owned Assets Supervision and Administration Commission ("**SASAC**"). On this basis, the benchmarking management will be carried out in an all-round way. Through benchmarking, the Company will dig the potential for management improvement, formulate specific improvement measures, and carry out annual benchmarking assessments to promote benchmarking results conversion and advance the improvement of the Group's operations and management. Additionally, the Group will start with ESG information disclosure, and apply the idea of "systematic, holistic, and synergistic" to promote the sustainable integration of ESG management requirements with the Company's existing management system, and radically improve the non-financial performance by formulating an action outline that fits into the Group's real conditions to achieve sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

10. OTHER MATTERS

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

(1) Appointment of Mr. Wang Zuwen (“Mr. Wang”)

At the annual general meeting of the Company held on 30 June 2021 (“AGM”), the appointment of Mr. Wang as an independent non-executive Director was approved by the shareholders of the Company. Mr. Wang was also appointed as the chairman of the Nomination Committee of the Company and a member of the Audit Committee, the Risk Control Committee and the Remuneration and Appraisal Committee of the Company by the Board.

(2) Retirement of Mr. Rui Meng (“Mr. Rui”)

With effect from the conclusion of the AGM, Mr. Rui Meng has retired as an independent non-executive Director, the chairman of the Nomination Committee of the Company and a member of the Audit Committee, the Strategy Committee, the Risk Control Committee and the Remuneration and Appraisal Committee of the Company due to expiration of his term of appointment as an independent non-executive Director.

(3) Retirement of Mr. Liu Hanbo (“Mr. Liu”)

Mr. Liu has resigned as an executive Director, the chairman of the Board, the chairman of the Strategy Committee and a member of the Risk Control Committee of the Company, due to reaching retirement age, with effect from 5 August 2021. Mr. Liu also ceased to be the legal representative of the Company following his resignation.

(4) Appointment of Mr. Ren Yongqiang (“Mr. Ren”)

At the extraordinary general meeting of the Company held on 5 August 2021, the appointment of Mr. Ren as an executive Director was approved by the shareholders of the Company. Mr. Ren was also appointed as the chairman of the Board, the chairman of the Strategy Committee and a member of the Risk Control Committee of the Company by the Board, with effect from 5 August 2021. Mr. Ren will also be appointed as the legal representative of the Company in place of Mr. Liu.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(5) Retirement of Ms. An Zhijuan (“**Ms. An**”)

Ms. An has retired as an employee representative supervisor of the Company with effect from 1 July 2021 due to expiration of her term of appointment as an employee representative supervisor of the Company.

(6) Appointment of Mr. Zeng Xiangfeng (“**Mr. Zeng**”)

Mr. Zeng was democratically elected as an employee representative supervisor of the Company at an employee representative meeting of the Company held on 1 July 2021. Pursuant to the articles of association of the Company, employee representative supervisors are elected at the employee representative meeting and are not subject to the approval of the Shareholders.

The term of office of Mr. Zeng commenced on 1 July 2021 until the end of the tenth session of the Supervisory Committee.

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 the 30 June 2021, so far as was known to the Directors, supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number of shares of the relevant class	Percentage of the total number of issued shares
China Shipping Group Company Limited ⁽³⁾	A	1,536,924,595 (L)	44.33%	32.27%
COSCO SHIPPING ⁽³⁾	A	2,156,350,790 (L)	62.20%	45.28%
Prudential plc ⁽⁴⁾	H	117,650,000 (L)	9.07%	2.47%
FIL Limited ⁽⁵⁾	H	109,266,000 (L)	8.43%	2.29%
Pandanus Associates Inc. ⁽⁶⁾	H	109,266,000 (L)	8.43%	2.29%
Pandanus Partners L.P. ⁽⁷⁾	H	109,266,000 (L)	8.43%	2.29%
GIC Private Limited ⁽⁸⁾	H	104,118,500 (L)	8.03%	2.10%
M&G Plc ⁽⁹⁾	H	89,657,600 (L)	6.92%	1.88%
		20,854,000 (S)	1.61%	0.44%
Eastspring Investments ⁽¹⁰⁾	H	78,348,000 (L)	6.04%	1.65%
Brown Brothers Harriman & Co. ⁽¹¹⁾	H	65,869,470 (L)	5.08%	1.38%
		65,869,470 (P)	5.08%	1.38%
UBS Group AG ⁽¹²⁾	H	64,988,553 (L)	5.01%	1.36%
		38,424,484 (S)	2.96%	0.81%

Note 1: A – A share
H – H share
L – Long position
S – Short position
P – Lending pool

Note 2: As at 30 June 2021, 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.

Note 3: COSCO SHIPPING directly holds 619,426,195 A shares, accounting for approximately 13.01% of the total issued share capital of the Company. COSCO SHIPPING is the sole shareholder of China Shipping Group Company Limited. Therefore, COSCO SHIPPING (itself and through its subsidiaries) is interested in 2,156,350,790 shares in total.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Note 4: As at 30 June 2021, in accordance with the information disclosed to the Company by Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, Prudential plc owns H shares through a number of subsidiaries, of which 78,348,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 5: As at 30 June 2021, FIL Limited held the above-mentioned shares of the Company in the capacity as interest of corporation controlled by it.

Note 6: As at 30 June 2021, in accordance with the information disclosed to the Company by Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, Pandanus Associates Inc. owns H shares through a number of subsidiaries, of which 109,266,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 7: As at 30 June 2021, in accordance with the information disclosed to the Company by Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, Pandanus Partners L.P. owns H shares through a number of subsidiaries, of which 109,266,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 8: As at 30 June 2021, in accordance with the information disclosed to the Company by Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, GIC Private Limited as an investment manager holds the above- mentioned shares of the Company.

Note 9: As at 30 June 2021, M&G Plc held the above-mentioned shares of the Company in the capacity as interest of corporation controlled by it.

Note 10: As at 30 June 2021, Eastspring Investments held the above-mentioned shares of the Company in the capacity as beneficial owner.

Note 11: As at 30 June 2021, Brown Brothers Harriman & Co. held the above-mentioned shares of the Company in the capacity as approved lending agent

Note 12: As at 30 June 2021, UBS Group AG held the above-mentioned shares of the Company in the capacity as interest of corporation controlled by it.

Save as disclosed above, as at 30 June 2021, 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 2021 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 Reporting Period and up to the date of this report were as follows:

Name or category of participants	Number of options						Date of grant	Vesting period	Exercise period	Exercise price (RMB)
	As at 1 January 2021	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at the date of this report				
Liu Hanbo (Director)	475,000	-	-	-	-	475,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.94 ⁽²⁾
Zhu Maijin (Director)	416,000	-	-	-	-	416,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.94 ⁽²⁾
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)	28,470,000	-	-	-	-	28,470,000	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025	5.94 ⁽²⁾
Sub-total	<u>28,470,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,470,000</u>				
Total	<u>29,361,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,361,000</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 at the Board meeting on 30 March 2020. The exercise price was adjusted from RMB5.98 to RMB5.94 at the Board meeting on 29 October 2020.
- (3) 3,740,000 share options held by 12 participants has been cancelled at the Board meeting on 30 March 2020. 2,359,000 share options held by 9 participants has been cancelled at the Board meeting on 28 December 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 2021, 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:

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

Name of Director	Nature of interest	Class of shares ⁽¹⁾	Number of shares interested ⁽²⁾	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Liu Hanbo ("Mr. Liu") ⁽³⁾	Beneficial owner	A	475,000(L)	0.01370%	0.00997%
Zhu Maijin ("Mr. Zhu") ⁽⁴⁾	Beneficial owner	A	416,000(L)	0.01200%	0.00873%
Zhao Jinsong	Beneficial owner	H	6,000(L)	0.00046%	0.00013%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

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	150,000 (L)	0.00581%	0.00122%
	Mr. Yang Lei	Beneficial owner	H	28,000 (L)	0.00109%	0.00023%
COSCO SHIPPING Development Co., Ltd.	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)	0.00080%	0.00080%
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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 30 June 2021, 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.

(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, 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.

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. Teo Siong Seng and Mr. Wang Zuwen.

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. Teo Siong Seng and Mr. Wang Zuwen. 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. Wang Zuwen (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 seven members (including two executive Directors, two non-executive Directors, and three independent non-executive Directors), namely Mr. Ren Yongqiang (chairman), Mr. Zhu Maijin, Mr. Zhang Qinghai, Mr. Liu Zhusheng, 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.

(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. Ren Yongqiang and Mr. Wang Zuwen.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(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 2021, the Company had 7,435 employees (as at 30 June 2020: 6,876). During the Reporting Period, the total staff cost of the Company was approximately RMB1.23 billion (for the same period in 2020: approximately RMB968 million).

(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 energy.coscoshipping.com to disseminate information to its investors and shareholders on a timely basis.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(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 to COSCO SHIPPING, Dalian Shipbuilding Industry Group Co., Ltd. and Hudong Zhonghua Shipbuilding (Group) Co., Ltd. The Company also 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
- (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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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	<u>730,659,024</u>	<u>5,099,999,987.52</u>	

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Details of the usage of the proceeds raised:

unit: RMB million

No.	Project	Net proceeds	Utilized proceeds as of 30 June 2021	Unutilized proceeds as of 30 June 2021
1	Acquisition of 14 oil tankers	4,688.23	4,708.22	0
	Including: 4 VLCC oil tankers	1,971.51	1,971.51	0
	3 Suezmax oil tankers	992.10	992.10	0
	3 Aframax oil tankers	778.04	798.04	0
	2 LR2 product oil tankers	531.67	531.67	0
	2 Panamax oil tankers	414.90	414.90	0
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>5,096.00</u>	<u>0</u>

(18) SIGNIFICANT INVESTMENTS AND FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

(19) MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group during the Reporting Period.

(20) 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.
Ren Yongqiang
Chairman

Shanghai, the PRC
 30 August 2021

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 42 to 94, 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 2021 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, 30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
	Note		
Revenues	6	6,078,251	9,669,499
Operating costs		<u>(5,157,977)</u>	<u>(6,001,948)</u>
Gross profit		920,274	3,667,551
Other income and net gains	7	336,578	27,984
Marketing expenses		(15,342)	(14,806)
Administrative expenses		(385,593)	(286,551)
Net impairment losses on financial and contract assets		(5,750)	(12,540)
Other expenses		(28,340)	(20,000)
Share of profits of associates		130,097	176,830
Share of profits of joint ventures		348,351	321,747
Finance costs	8	<u>(425,067)</u>	<u>(566,137)</u>
Profit before tax	9	875,208	3,294,078
Income tax expense	10	<u>(131,335)</u>	<u>(199,785)</u>
Profit for the period		<u>743,873</u>	<u>3,094,293</u>
Other comprehensive income/(loss)			
<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/(loss)		75,312	(27,723)
Remeasurement of defined benefit plan payable		1,236	-
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		6	-
<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		(77,403)	113,888
Net gain/(loss) on cash flow hedges		132,789	(474,172)
Hedging gain reclassified to profit or loss		61,543	49,774
Share of other comprehensive loss of associates		(11,775)	(4,712)
Share of other comprehensive income/(loss) of joint ventures		54,765	(91,159)
Net loss on disposal of investment properties		<u>-</u>	<u>(4,558)</u>
Other comprehensive income/(loss) for the period		<u>236,473</u>	<u>(438,662)</u>
Total comprehensive income for the period		<u>980,346</u>	<u>2,655,631</u>

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

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
Note		RMB'000	RMB'000
Profit for the period attributable to:			
	Equity holders of the Company	581,974	2,954,736
	Non-controlling interests	161,899	139,557
	Profit for the period	<u>743,873</u>	<u>3,094,293</u>
Total comprehensive income for the period attributable to:			
	Equity holders of the Company	669,010	2,786,501
	Non-controlling interests	311,336	(130,870)
		<u>980,346</u>	<u>2,655,631</u>
Earnings per share			
	– Basic (RMB cents/share)	12.22	67.19
	– Diluted (RMB cents/share)	12.22	67.17

The notes on pages 50 to 94 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties		10,387	10,387
Property, plant and equipment	13	48,723,426	48,497,144
Right-of-use assets	14	1,458,379	1,690,724
Goodwill		73,325	73,325
Investments in associates	15	2,618,744	2,772,302
Investments in joint ventures	16	3,501,201	3,286,382
Loan receivables	17	1,230,665	1,245,027
Financial assets at fair value through other comprehensive income	18	562,732	462,317
Deferred tax assets	19	41,607	42,776
		58,220,466	58,080,384
CURRENT ASSETS			
Current portion of loan receivables	17	31,020	38,561
Inventories	20	922,452	859,472
Contract assets	21	547,839	632,043
Trade and bills receivables	21	1,156,215	668,509
Prepayments, deposits and other receivables	22	864,369	810,161
Pledged bank deposits	23	766	764
Cash and cash equivalents	23	3,758,213	4,869,963
		7,280,874	7,879,473
TOTAL ASSETS		65,501,340	65,959,857

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2021

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Provision and other liabilities		15,286	15,286
Derivative financial instruments	24	645,716	847,983
Interest-bearing bank and other borrowings	25	13,358,309	13,809,152
Other loans	26	946,440	977,193
Bonds payable	27	2,497,018	2,495,824
Employee benefits payable		157,456	164,218
Lease liabilities	14	1,518,204	1,699,996
Deferred tax liabilities	19	519,881	455,017
		<u>19,658,310</u>	<u>20,464,669</u>
CURRENT LIABILITIES			
Trade and bills payables	28	1,420,870	1,610,104
Other payables and accruals	29	957,021	1,136,151
Contract liabilities		18,082	18,824
Dividends payable	12	952,538	–
Current portion of interest-bearing bank and other borrowings	25	6,441,286	6,682,421
Current portion of other loans	26	43,525	44,562
Current portion of employee benefits payable		25,434	23,094
Current portion of lease liabilities	14	316,112	325,126
Taxes payable		57,670	52,560
		<u>10,232,538</u>	<u>9,892,842</u>
TOTAL LIABILITIES		<u>29,890,848</u>	<u>30,357,511</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	4,762,692	4,762,692
Reserves		29,570,021	29,859,136
		<u>34,332,713</u>	<u>34,621,828</u>
Non-controlling interests		1,277,779	980,518
TOTAL EQUITY		<u>35,610,492</u>	<u>35,602,346</u>

Ren Yongqiang
Director

Zhu Maijin
Director

The notes on pages 50 to 94 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 2021

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY											Non-controlling interests	Total equity			
		Share capital	Share Premium	Revaluation Reserve	Capital Reserve	Merger Reserve	Statutory Reserve	Safety fund Reserve	General surplus reserve	Hedging Reserve	FVOCI Revaluation reserve	Translation Reserve			Retained Profits	Total	
		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	RMB'000
At 31 December 2020		4,762,692	12,096,153	273,418	101,254	(286,027)	2,877,435	14,475	93,138	(766,342)	106,652	(125,279)	15,474,539	34,621,828	980,518	35,602,346	
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	581,974	581,974	161,899	743,873	
Remeasurement of defined benefit plan payable		-	-	-	-	-	-	-	-	-	-	-	1,236	1,236	-	1,236	
Currency translation differences		-	-	-	-	-	-	-	-	-	(77,403)	-	-	(77,403)	6	(77,397)	
Net gain on cash flow hedges		-	-	-	-	-	-	-	-	54,178	-	-	-	54,178	78,611	132,789	
Hedging gain reclassified to profit or loss		-	-	-	-	-	-	-	-	25,110	-	-	-	25,110	36,433	61,543	
Fair value gain on FVOCI		-	-	-	-	-	-	-	-	-	-	-	-	36,409	36,903	75,312	
Share of other comprehensive loss of associates		-	-	-	-	-	-	-	-	(9,128)	(44)	(87)	-	(9,259)	(2,516)	(11,775)	
Share of other comprehensive loss of joint ventures		-	-	-	-	-	-	-	-	107,029	-	(52,264)	-	54,765	-	54,765	
Total comprehensive income for the period		-	-	-	-	-	-	-	-	177,189	38,365	(129,754)	589,210	669,010	311,336	980,346	
Accrual of safety fund reserve		-	-	-	-	-	-	62,427	-	-	-	-	(66,641)	(4,214)	4,214	-	
Utilisation of safety fund reserve		-	-	-	-	-	-	(25,697)	-	-	-	-	26,294	2,597	(2,597)	-	
Dividends paid to noncontrolling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	(90,076)	(90,076)	
Dividends paid to shareholders of the Company		-	-	-	-	-	-	-	-	-	-	-	(952,538)	(952,538)	-	(952,538)	
Dividends approved in respect of previous year		-	-	-	-	-	-	-	-	-	-	-	(7,119)	(7,119)	-	(7,119)	
Fair value of share options granted		-	-	-	3,149	-	-	-	-	-	-	-	-	3,149	-	3,149	
Contribution from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	74,384	74,384	
At 30 June 2021 (unaudited)		4,762,692	12,096,153	273,418	104,403	(286,027)	2,877,435	51,205	93,138	(688,153)	145,017	(255,333)	15,059,745	34,332,713	1,277,779	35,610,492	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2021

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY														
	Share capital RMB'000	Share Premium RMB'000	Revaluation Reserve RMB'000	Capital Reserve RMB'000	Merger Reserve RMB'000	Statutory Reserve RMB'000	Safety fund Reserve RMB'000	General surplus reserve RMB'000	Heidng 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
As at 31 December 2019	4,032,033	7,749,939	277,976	90,561	(286,027)	2,877,435	9,717	93,158	(424,144)	81,855	333,732	13,288,500	28,124,735	1,042,871	29,167,606
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,954,736	-	2,954,736	139,557	3,094,293
Currency translation differences	-	-	-	-	-	-	-	-	-	117,227	-	-	117,227	(3,339)	113,888
Fair value loss on FVOCI	-	-	-	-	-	-	-	-	(14,139)	-	-	-	(14,139)	(13,564)	(27,723)
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(193,462)	-	-	-	(193,462)	(280,710)	(474,172)
Heidng 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)	(13,153)	167,079	2,954,736	2,786,501	(130,870)	2,655,631
Issue of ordinary shares	730,639	4,346,214	-	-	-	-	-	-	-	-	-	-	5,076,873	-	5,076,873
Accrual of safety fund reserve	-	-	-	-	-	-	48,918	-	-	-	(62,522)	-	(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 noncontrolling 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	53,620	93,158	(741,747)	68,702	500,811	16,005,402	35,800,459	771,211	36,571,670

The notes on pages 50 to 94 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,605,367	3,507,055
INVESTING ACTIVITIES		
Interest received	46,616	34,799
Payments for construction in progress	(2,056,391)	(1,240,069)
Purchases of property, plant and equipment	(173)	(376,670)
Investments in an associate	-	(349,264)
Proceeds from disposal of property, plant and equipment	976	12,713
Repayment from associates	12,478	10,886
Repayment from joint ventures	5,618	-
Dividends received from associates	151,880	116,703
Dividends received from a joint venture	186,602	182,862
Disposal of subsidiaries, net of cash acquired	-	5,407
Increase in pledged bank deposits	(2)	-
Disposal of FVOCI	-	7,103
NET CASH USED IN INVESTING ACTIVITIES	(1,652,396)	(1,595,530)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Interest paid	(376,715)	(514,039)
Dividends paid to non-controlling interests of subsidiaries	(90,076)	(107,957)
Dividends paid to previous shareholder of a subsidiary	(27,119)	–
Repayment of other loans	(21,696)	(23,830)
Increase in interest-bearing bank and other borrowings	3,284,028	2,593,248
Repayment of interest-bearing bank and other borrowings	(3,776,715)	(5,347,058)
Contribution from shareholders of the Company	–	5,089,200
Lease payments	(109,614)	(333,922)
Contribution from non-controlling interests of a subsidiary	74,384	–
Share issue cost and borrowings acquisition cost	(1,064)	(6,941)
	<u>(1,044,587)</u>	<u>1,348,701</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		
	<u>(1,044,587)</u>	<u>1,348,701</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,091,616)	3,260,226
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,869,963	3,919,500
Effect of foreign exchange rate changes, net	(20,134)	38,366
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3,758,213</u>	<u>7,218,092</u>

The notes on pages 50 to 94 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

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.

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, a state-owned enterprise established in the PRC, as the immediate parent company.

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

This condensed consolidated interim financial information for the six months ended 30 June 2021 (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 30 August 2021.

The Interim Financial Information has not been audited.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 2020 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 AND ESTIMATE

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020 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 standards, amendments and interpretation adopted by the Group in the six months ended 30 June 2021

- Amendments to HKFRS 9, HKFRS 7, HKFRS 4, HKFRS 16 and HKAS 39 – Interest Rate Benchmark Reform – Phase 2

The adoption of the above new amendments starting from 1 January 2021 did not give rise to significant impact on the Group’s results of operations and financial position for the six months ended 30 June 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standard, amendments and interpretation have been published but are not mandatory for the financial year beginning 1 January 2021 and have not been early adopted by the Group. These new accounting standard, amendments and interpretation are not expected to have a material impact on the Group's financial statements when they become effective.

(c) Revision of amortisation life of the dry-docking expenses

In accordance with the requirements for refined dry-docking management of the Company, since 1 April 2021, the Company adjusted the amortisation life of the regular dry-docking expenses so as to better match the subsequent expenses with benefit period and to fairly and appropriately reflect the financial condition and operating results of the Company.

In previous years, the Company amortised the dry-docking expenses within 12 months. Since 1 April 2021, the Company adjusted the amortisation life of the regular dry-docking expenses to 30 months. The Company will apply this change in accounting estimate prospectively.

According to the Company's dry-docking schedules in April to December 2021 and in combination with the dry-docking market price, it is expected the changes in amortised period of dry-docking will result in the increase of total profit of the Company of approximately RMB96 million in 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 2020.

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 2020.

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 2021

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
As at 30 June 2021				
Trade and bills payables	1,420,870	-	-	1,420,870
Financial liabilities included in other payables and accruals (excluding interest payable)	441,563	-	-	441,563
Interest payable in relation to borrowings and bonds	140,824	-	-	140,824
Derivative financial instruments	-	-	645,716	645,716
Lease liabilities	389,858	392,982	1,269,637	2,052,477
Interest-bearing bank and other borrowings	6,885,405	2,635,770	13,306,060	22,827,235
Other loans	96,299	94,209	1,095,062	1,285,570
Bonds payable	126,800	2,626,800	-	2,753,600
	<u>9,501,619</u>	<u>5,749,761</u>	<u>16,316,475</u>	<u>31,567,855</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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
At 31 December 2020				
Trade and bills payables	1,610,104	–	–	1,610,104
Financial liabilities included in other payables and accruals (excluding interest payable)	864,744	–	–	864,744
Interest payable in relation to borrowings and bonds	114,990	–	–	114,990
Derivative financial instruments	–	–	847,983	847,983
Lease liabilities	402,808	396,869	1,480,799	2,280,476
Interest-bearing bank and other borrowings	7,196,648	2,713,206	14,257,613	24,167,467
Other loans	99,138	95,707	1,132,822	1,327,667
Bonds payable	<u>126,800</u>	<u>2,586,917</u>	<u>–</u>	<u>2,713,717</u>
	<u>10,415,232</u>	<u>5,792,699</u>	<u>17,719,217</u>	<u>33,927,148</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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
At 30 June 2021				
Financial assets:				
Financial assets at FVOCI	<u>562,732</u>	<u>-</u>	<u>-</u>	<u>562,732</u>
Financial liabilities:				
Derivative financial instruments	<u>-</u>	<u>645,716</u>	<u>-</u>	<u>645,716</u>
At 31 December 2020				
Financial assets:				
Financial assets at FVOCI	<u>462,317</u>	<u>-</u>	<u>-</u>	<u>462,317</u>
Financial liabilities:				
Derivative financial instruments	<u>-</u>	<u>847,983</u>	<u>-</u>	<u>847,983</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 2020 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 2021 and 31 December 2020.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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. – (LPG Shipping business has been sold in 2020).

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 2021

6. REVENUES AND SEGMENT INFORMATION (continued)

Business segments

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			
	2021		2020	
	Revenues RMB'000	Contribution RMB'000	Revenues RMB'000	Contribution RMB'000
By principal activity:				
Oil Shipment				
– Oil shipment	5,009,556	550,755	8,264,300	2,968,896
– Vessel chartering	456,027	48,704	714,467	325,361
	5,465,583	599,459	8,978,767	3,294,257
LNG	612,668	320,815	649,993	360,473
Others	–	–	40,739	12,821
	<u>6,078,251</u>	<u>920,274</u>	<u>9,669,499</u>	<u>3,667,551</u>
Other income and net gains		336,578		27,984
Marketing expenses		(15,342)		(14,806)
Administrative expenses		(385,593)		(286,551)
Net impairment losses on financial and contract assets		(5,750)		(12,540)
Other expenses		(28,340)		(20,000)
Share of profits of associates		130,097		176,830
Share of profits of joint ventures		348,351		321,747
Finance costs		(425,067)		(566,137)
Profit before tax		<u>875,208</u>		<u>3,294,078</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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.

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.

During the periods ended 30 June 2021 and 2020, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

	30 June 2021 RMB'000	31 December 2020 RMB'000
Total segment assets		
Oil shipment	50,975,021	51,845,833
LNG shipment	13,538,516	13,117,400
Others	987,803	996,624
	<u>65,501,340</u>	<u>65,959,857</u>
Total segment liabilities		
Oil shipment	21,276,500	21,361,993
LNG shipment	8,607,391	8,990,598
Others	6,957	4,920
	<u>29,890,848</u>	<u>30,357,511</u>

As at 30 June 2021, the net carrying amounts of the Group's oil tankers and LNG vessels were RMB38,259,890,000 (31 December 2020: RMB37,623,611,000) and RMB8,048,690,000 (31 December 2020: RMB8,304,052,000) respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

6. REVENUES AND SEGMENT INFORMATION (continued)

Geographical segments

	Six months ended 30 June			
	2021		2020	
	Revenues RMB'000	Contribution RMB'000	Revenues RMB'000	Contribution RMB'000
By geographical area:				
Domestic	2,761,808	902,683	2,614,213	663,249
International	<u>3,316,443</u>	<u>17,591</u>	<u>7,055,286</u>	<u>3,004,302</u>
	<u>6,078,251</u>	<u>920,274</u>	<u>9,669,499</u>	<u>3,667,551</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

6. REVENUES AND SEGMENT INFORMATION (continued)

Other information

	Oil shipment RMB'000	LNG RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2021				
Additions to non-current assets	1,366,034	364,368	–	1,730,402
Depreciation and amortisation	1,241,409	144,413	18,816	1,404,638
Gain on disposal of property, plant and equipment, net	595	–	–	595
Interest income	18,150	14,207	2	32,359
Six months ended 30 June 2020				
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

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 2021 and 2020.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

7. OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Other income		
Government subsidies (Note)	309,383	33,346
Bank interest income	12,912	29,464
Interest income from loan receivables	19,443	28,431
Rental income from investment properties	90	640
Others	129	(3,966)
	<u>341,957</u>	<u>87,915</u>
Other losses		
Exchange losses, net	(7,182)	(19,641)
Gains on disposal of property, plant and equipment, net	595	5,396
Losses on disposal of shares in subsidiaries	–	(40,504)
Others	1,208	(5,182)
	<u>(5,379)</u>	<u>(59,931)</u>
	<u>336,578</u>	<u>27,984</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 2021

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest expenses on:		
– bank loans and other borrowings	247,276	446,511
– corporate bonds	64,073	64,374
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	61,543	49,774
– lease liabilities	42,045	52,175
– exchange loss/(gain), net	10,130	(46,697)
	<u>425,067</u>	<u>566,137</u>

During the period, no interest expense is capitalised (six months ended 30 June 2020: Nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

9. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	1,842,977	2,189,396
Others (including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	<u>3,392,213</u>	<u>3,812,552</u>
	<u>5,235,190</u>	<u>6,001,948</u>
Staff costs (including emoluments of directors, supervisors and management):		
Wages, salaries, crew expenses and related expenses	1,196,391	948,785
Costs for defined benefit plan	4,023	2,999
Pension scheme contributions	<u>32,926</u>	<u>16,013</u>
Total staff costs	<u>1,233,340</u>	<u>967,797</u>
Depreciation of property, plant and equipment	1,234,486	1,218,405
Depreciation and amortisation of right-of-use assets	170,152	272,739
Dry-docking and repairs	176,879	244,440
Provision for impairment losses on trade receivables and contract assets	5,655	12,886
Provision for/(reversal of) impairment losses on other receivables	<u>95</u>	<u>(346)</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

10. INCOME TAX EXPENSE

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
	Note		
Current income tax			
PRC	(i)		
– provision for the period		96,108	172,030
– adjustments for current tax of prior periods		(5,869)	(22)
Other districts	(ii)		
– provision for the period		163	616
		<u>90,402</u>	<u>172,624</u>
Deferred tax		<u>40,933</u>	<u>27,161</u>
Total income tax expense		<u><u>131,335</u></u>	<u><u>199,785</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 2020: 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 2021

11. EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	<u>581,974</u>	<u>2,954,736</u>
Weighted average number of ordinary shares in issue	<u>4,762,691,885</u>	<u>4,397,362,373</u>
Basic earnings per share (RMB cents/share)	<u>12.22</u>	<u>67.19</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	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	<u>581,974</u>	<u>2,954,736</u>
Weighted average number of ordinary shares in issue	<u>4,762,691,885</u>	<u>4,397,362,373</u>
Adjustments for share options	<u>1,367,644</u>	<u>1,710,272</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>4,764,059,529</u>	<u>4,399,072,645</u>
Diluted earnings per share (RMB cents/share)	<u>12.22</u>	<u>67.17</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 2021

12. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Final dividend for 2020 – RMB0.2 (30 June 2020: Final dividend for 2019 – RMB0.04) per share	952,538	190,508

Final dividend of RMB0.2 per share in respect of the year ended 31 Dec 2020 was approved by shareholders at the annual general meeting held on 30 June 2021 and a total amount of RMB nil was paid during the Reporting Period.

The Board did not recommend the payment of an interim dividend for the period (six months ended 30 June 2020: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Opening net book value as at 1 January	48,497,144	49,160,894
Currency translation differences	(269,253)	(1,808,257)
Additions	1,730,402	4,767,499
Disposals/write-off	(381)	(331,116)
Depreciation/amortization	(1,234,486)	(2,450,935)
Impairment loss	–	(840,941)
Closing net book value as at 30 June/31 December	48,723,426	48,497,144

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Right-of-use assets		
Vessels	1,409,013	1,639,153
Prepaid land lease payments*	42,309	43,096
Properties	7,057	8,475
	<u>1,458,379</u>	<u>1,690,724</u>
Lease liabilities		
Current	316,112	325,126
Non-current	1,518,204	1,699,996
	<u>1,834,316</u>	<u>2,025,122</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 2021

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	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Vessels	167,961	269,202
Properties	1,405	2,349
Prepaid land lease payments	786	1,161
Motor vehicles	—	27
	<u>170,152</u>	<u>272,739</u>
Interest expense (included in finance cost)	42,045	52,175
Expense relating to short-term leases	<u>8,296</u>	<u>6,789</u>

The total cash outflow for leases during the period was RMB266,618,000 (For the six months ended 30 June 2020: RMB333,922,000).

15. INVESTMENTS IN ASSOCIATES

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Share of net assets	1,783,639	1,937,197
Goodwill	<u>835,105</u>	<u>835,105</u>
	<u>2,618,744</u>	<u>2,772,302</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

15. INVESTMENTS IN ASSOCIATES (continued)

As at 30 June 2021, 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
			2021	2020	2021	2020	
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	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 2021

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:

	Shanghai Beihai	
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Non-current assets	2,153,821	2,097,207
Current assets	571,909	849,045
Non-current liabilities	(219,540)	(363,840)
Current liabilities	(411,427)	(139,906)
Net assets	<u>2,094,763</u>	<u>2,442,506</u>
Proportion of the Group's ownership interest	40%	40%
Group's share of net assets	837,905	977,002
Goodwill	835,105	835,105
Carrying amount of the Group's interest in the associate	<u>1,673,010</u>	<u>1,812,107</u>
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenues	766,858	757,342
Profit for the period	257,364	277,988
Other comprehensive loss	(218)	–
Total comprehensive income for the period	257,146	277,988
Dividends received from the associate	<u>240,000</u>	<u>160,000</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Aggregate carrying amount of individually immaterial associates in the condensed consolidated financial statements	<u>945,734</u>	<u>960,195</u>
	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Aggregate amounts of the Group's share of:		
Profit for the period	29,106	64,401
Other comprehensive loss	<u>(11,688)</u>	<u>(4,511)</u>
Total comprehensive income for the period	<u>17,418</u>	<u>59,890</u>

16. INVESTMENTS IN JOINT VENTURES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	3,024,096	2,809,277
Goodwill	<u>477,105</u>	<u>477,105</u>
	<u>3,501,201</u>	<u>3,286,382</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

16. INVESTMENTS IN JOINT VENTURES (continued)

As at 30 June 2021, 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
			2021	2020	
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 2021

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:

	CLNG	
	30 June 2021	31 December 2020
Non-current assets	7,622,857	7,507,246
Current assets	580,462	726,638
Cash and cash equivalents	533,463	716,826
Other current assets	46,999	9,812
Non-current liabilities	(2,947,634)	(2,808,972)
Current liabilities	(188,162)	(530,404)
Net assets	5,067,523	4,894,508
Non-controlling interests	(868,129)	(923,704)
	4,199,394	3,970,804
Proportion of the Group's ownership interest	50%	50%
Group's share of net assets	2,099,697	1,985,402
Goodwill	477,105	477,105
Carrying amount of the Group's interest in the joint venture	2,576,802	2,462,507
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenues	486,328	549,339
Profit for the period	516,989	562,110
Other comprehensive income/(loss)	214,058	(283,171)
Total comprehensive income for the period	731,047	278,939
Dividends received from the joint venture	188,296	154,355

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the condensed consolidated financial statements	924,399	823,875

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Aggregate amounts of the Group's share of:		
Profit for the period	132,469	85,600
Other comprehensive (loss)/income	(31,946)	20,025
Total comprehensive income for the period	100,523	105,625

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

17. LOAN RECEIVABLES

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Loans to associates	(i)	370,184	383,124
Loans to joint ventures	(ii)	891,501	900,464
		1,261,685	1,283,588
Less: current portion		(31,020)	(38,561)
Non-current portion		1,230,665	1,245,027

Note:

- (i) As at 30 June 2021, loans to associates are unsecured, interest-bearing at approximately 5.82% to 6.60% over 3-month London Inter-bank Offered Rate (“LIBOR”) (31 December 2020: approximately 4.49% to 6.54% over 3-month LIBOR) per annum and repayable in 2030 and 2031.
- (ii) As at 30 June 2021 and 31 December 2020, 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 2021 RMB'000	31 December 2020 RMB'000
Listed equity investments in the PRC	562,732	462,317
Unlisted equity investments	<u>—</u>	<u>—</u>
	<u>562,732</u>	<u>462,317</u>

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Gain/(loss) recognised in other comprehensive income	<u>75,312</u>	<u>(27,723)</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 period are as follows:

	Adoption of HKFRS16 RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	–	45,165	–	45,165
Charge to profit or loss	–	(2,389)	–	(2,389)
At 31 December 2020 and 1 January 2021	–	42,776	–	42,776
Charge/(credit) to profit or loss	–	(1,195)	26	(1,169)
At 30 June 2021	–	41,581	26	41,607

- (b) Components of deferred tax liabilities recognised in the condensed consolidated statement of financial position and the movements during the 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 2020	4,438	90,405	236,372	92,314	4,947	428,476
(Credit)/charge to profit or loss	(1,782)	–	(13,219)	25,838	(283)	10,554
(Credit)/charge to other comprehensive income	(1,519)	17,531	–	–	–	16,012
Exchange realignment	–	–	–	–	(25)	(25)
At 31 December 2020 and 1 January 2021	1,137	107,936	223,153	118,152	4,639	455,017
(Credit)/charge to profit or loss	(133)	–	(5,165)	45,134	(72)	39,764
Charge to other comprehensive income	–	25,104	–	–	–	25,104
Exchange realignment	–	–	–	–	(4)	(4)
At 30 June 2021	1,004	133,040	217,988	163,286	4,563	519,881

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Deferred tax assets	41,607	42,776
Deferred tax liabilities	(519,881)	(455,017)
	<u>(478,274)</u>	<u>(412,241)</u>

As at 30 June 2021, deferred tax assets in respect of tax losses of RMB1,293,890,000, which will expire within five years (31 December 2020: RMB1,528,480,000) 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 2021, the unrecognised deferred income tax liabilities were RMB581,825,000 (31 December 2020: RMB616,956,000), 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 2021 amounted to RMB2,327,299,000 (31 December 2020: RMB2,519,835,000).

20. INVENTORIES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Bunker oil inventories	669,948	620,825
Ship stores and spare parts	252,504	238,647
	<u>922,452</u>	<u>859,472</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

21. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade and bills receivables from third parties	916,742	450,899
Trade receivables from related companies (Note)	246,671	211,935
Trade receivables from fellow subsidiaries	9,651	16,942
Trade receivables from a joint venture	70	35
	<u>1,173,134</u>	<u>679,811</u>
Less: allowance for doubtful debts	(16,919)	(11,302)
	<u>1,156,215</u>	<u>668,509</u>
Current contract assets relating to oil shipment contracts	552,528	636,761
Less: allowance	(4,689)	(4,718)
Total contract assets	<u>547,839</u>	<u>632,043</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 receivables from 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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 3 months	982,874	514,041
4 – 6 months	39,497	73,717
7 – 9 months	56,480	31,587
10 – 12 months	27,764	28,788
1 – 2 years	46,662	19,984
Over 2 years	2,938	392
	<u>1,156,215</u>	<u>668,509</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Prepayments	90,565	74,271
Deposits and other receivables	404,296	517,120
Due from fellow subsidiaries	286,010	163,110
Due from associates	120,157	1,725
Due from joint ventures	849	481
Due from related companies (Note)	772	92,071
	902,649	848,778
Less: impairment of other receivables	(38,280)	(38,617)
	864,369	810,161

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

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Pledged bank deposits		766	764
Balances placed with CS Finance	(i)	1,970,739	3,205,763
Unpledged bank balances and cash		1,787,474	1,664,200
Cash and cash equivalents		3,758,213	4,869,963
Total bank deposits and cash and cash equivalents		3,758,979	4,870,727

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 2021

24. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2021, the Group had interest rate swap agreements with total notional principal amount of approximately USD517,561,000 (equivalent to approximately RMB3,343,496,000) (31 December 2020: approximately USD527,507,000 (equivalent to RMB3,441,930,000)) which will be matured in 2031, 2032 and 2033 (31 December 2020: 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 2020: 3-month LIBOR plus 2.20%).

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2021 and 31 December 2020, details of the interest-bearing bank and other borrowings are as follows:

	Maturity	30 June 2021 RMB'000	31 December 2020 RMB'000
Current liabilities			
(i) Bank borrowings			
Secured	2021 to 2022	1,302,318	1,303,003
Unsecured	2021 to 2022	5,105,968	5,346,418
		<u>6,408,286</u>	<u>6,649,421</u>
(ii) Other borrowings			
Unsecured	2021 to 2022	33,000	33,000
Interest-bearing bank and other borrowings			
– current portion		<u>6,441,286</u>	<u>6,682,421</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

As at 30 June 2021 and 31 December 2020, details of the interest-bearing bank and other borrowings areas follows: (continued)

	Maturity	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities			
(i) Bank borrowings			
Secured	2022 to 2033	12,448,646	12,851,065
Unsecured	2022 to 2022	839,813	848,237
		<u>13,288,459</u>	<u>13,699,302</u>
(ii) Other borrowings			
Unsecured	2022 to 2025	69,850	109,850
Interest-bearing bank and other borrowings			
– non-current portion		<u>13,358,309</u>	<u>13,809,152</u>

As at 30 June 2021, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 46 (31 December 2020: 45) vessels with total net carrying amount of RMB21,462,931,000 (31 December 2020: RMB23,326,942,000) and pledged bank deposits.

26. OTHER LOANS

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	647,650	669,128
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	327,543	337,237
Petrochina International Co., Limited ("Petrochina International")	(iii)	14,772	15,390
		<u>989,965</u>	<u>1,021,755</u>
Less: current portion		(43,525)	(44,562)
Non-current portion		<u>946,440</u>	<u>977,193</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

26. OTHER LOANS (continued)

Note:

- (i) As at 30 June 2021, other loans amounted to RMB37,864,000 (31 December 2020: RMB40,665,000) 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 2021, the loan is unsecured, interest-bearing at approximately 6.51% to 6.56% over 3-month LIBOR (31 December 2020: approximately 5.23% to 6.45% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 30 June 2021, other loans amounted to RMB609,786,000 (31 December 2020: RMB628,463,000) 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 2021, 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 2020: 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 2021, 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 2021, 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 2020: 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 2021, 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 2021, the loan is unsecured, interest-bearing at approximately 5.86% to 5.87% over 3-month LIBOR (31 December 2020: approximately 4.53% to 5.81% 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 2021

27. BONDS PAYABLE

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
At the beginning of the period/year	2,495,824	2,493,477
Interest charge	1,194	2,347
Less: principal repayment	-	-
	2,497,018	2,495,824
Non-current portion	2,497,018	2,495,824

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 2020 RMB'000	Interest charge RMB'000	At 30 June 2021 RMB'000
3 August 2012	10 years	1,500,000	1,487,100	1,497,510	750	1,498,260
29 October 2012	10 years	1,000,000	992,400	998,314	444	998,758
		<u>2,500,000</u>	<u>2,479,500</u>	<u>2,495,824</u>	<u>1,194</u>	<u>2,497,018</u>

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 2021

28. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade and bills payables to third parties	790,885	937,020
Trade payables to fellow subsidiaries	623,682	662,178
Trade payables to an associate	5,888	5,353
Trade payables to related companies (Note)	415	5,553
	<u>1,420,870</u>	<u>1,610,104</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.

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 3 months	1,110,958	1,257,446
4 – 6 months	45,076	61,626
7 – 9 months	29,227	30,439
10 – 12 months	13,043	13,382
1 – 2 years	49,008	38,010
Over 2 years	173,558	209,201
	<u>1,420,870</u>	<u>1,610,104</u>

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 2021

29. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000	31 December 2020 RMB'000
Other payables	528,143	377,830
Due to fellow subsidiaries	49,657	271,463
Accruals	334,843	425,431
Due to other related companies (Note)	41,978	61,427
Due to a joint venture	2,400	–
	<u>957,021</u>	<u>1,136,151</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.

The amounts due to fellow subsidiaries, a joint venture, an associate 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 2021

30. SHARE CAPITAL

	30 June 2021		31 December 2020	
	Number of shares (thousand)	Nominal value RMB'000	Number of shares (thousand)	Nominal value RMB'000
Registered, issued and fully paid:				
Listed H-Shares of RMB1 each	1,296,000	1,296,000	1,296,000	1,296,000
Listed A-Shares of RMB1 each	3,466,692	3,466,692	3,466,692	3,466,692
Total	4,762,692	4,762,692	4,762,692	4,762,692

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:

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB52,973,000). 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 2021

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. As at 30 June 2021, the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB41,345,000).

- 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 RMB2,438,688,000), 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 RMB34,588,000). The guarantee period is limited to the lease period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 2020: one to twenty) years.

As at 30 June 2021, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within one year	1,589,548	1,970,447
In the second to fifth years, inclusive	5,082,920	5,447,363
Over five years	13,261,127	14,817,751
	<u>19,933,595</u>	<u>22,235,561</u>

33. CAPITAL COMMITMENTS

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	3,696,910	5,382,212
Project investments	(ii)	918,626	–
		<u>4,615,536</u>	<u>5,382,212</u>

Note:

- (i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2021 to 2023.
- (ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects to be held by COSCO SHIPPING LNG Investment (Shanghai) Co., Limited.

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 RMB32,376,000 (31 December 2020: RMB43,168,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

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 2021

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Transactions with COSCO Shipping		
Revenues		
Grant income	–	755
Expense		
Interest expense	–	12,360
Transactions with China Shipping		
Expense		
Interest expense	–	11,900
Transactions with fellow subsidiaries and the related entities of COSCO Shipping		
Revenues		
Shipping services and ship charter services	27,529	47,359
Supply of fuel, shipping material, painting, spare part and ship equipment etc.	–	6,279
Rental income, including surcharge	90	599
Expenses		
Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc.	1,519,865	1,757,164
Electrical, telecommunication, ship repair and technical improvements services etc.	209,609	174,434
Ship and related business insurance and insurance brokerage services	30,176	42,243
Ship and shipping agency services	46,100	39,815
Management services of sea crew	810,835	718,487
Rental expense	2,199	2,159
Miscellaneous services	8,896	4,042
Others		
Construction of vessels	373,076	160,889
Loss on disposal of shares in subsidiaries	–	40,504

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2021

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Transactions with joint ventures of the Group		
Revenues		
Interest income from joint ventures	<u>5,597</u>	<u>13,347</u>
Transactions with associates of the Group		
Revenues		
Interest income from associates	<u>20,813</u>	<u>19,243</u>
Vessel chartering income	<u>55,047</u>	<u>54,561</u>
Key management compensation		
Salaries, bonuses and other allowances	<u>5,319</u>	<u>5,182</u>
Share options	<u>350</u>	<u>672</u>
Contribution to retirement benefit scheme	<u>264</u>	<u>38</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 2021 and 31 December 2020, majority of the Group's bank balances and bank borrowings are with state-owned banks.