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: 01138)
(Shanghai Stock Exchange Stock Code: 600026)

2021
ANNUAL REPORT

CONTENT

COMPANY PROFILE

COSCO SHIPPING Energy Transportation Co., Ltd. ("**COSCO SHIPPING Energy**" or the "**Company**", together with its subsidiaries, the "**Group**") is a specialised company engaging in shipment of oil, liquefied natural gas, and chemicals, operating under China COSCO SHIPPING Corporation Limited ("**COSCO SHIPPING**", together with its subsidiaries, "**COSCO SHIPPING Group**"). COSCO SHIPPING Energy is a merged entity from the energy transportation arms of China Ocean Shipping Company and China Shipping Company. Established in Shanghai on June 6, 2016, the Company is committed to becoming a whole-process energy transportation solution, providing customers with all-type, all-location and all-rounded energy shipping services.

COSCO SHIPPING Energy focuses on two core businesses, oil shipping and LNG transportation. Boasting years of rich experience and a great reputation, the Company has formed a good corporate image in the industry.

As one of the industry leaders, the Company operates globally with its complete variety of tankers. Taking vigorous efforts to develop VLCC POOL and enhance the operating fleet efficiency, the Company strives to deliver win-win results to both clients and shipowners.

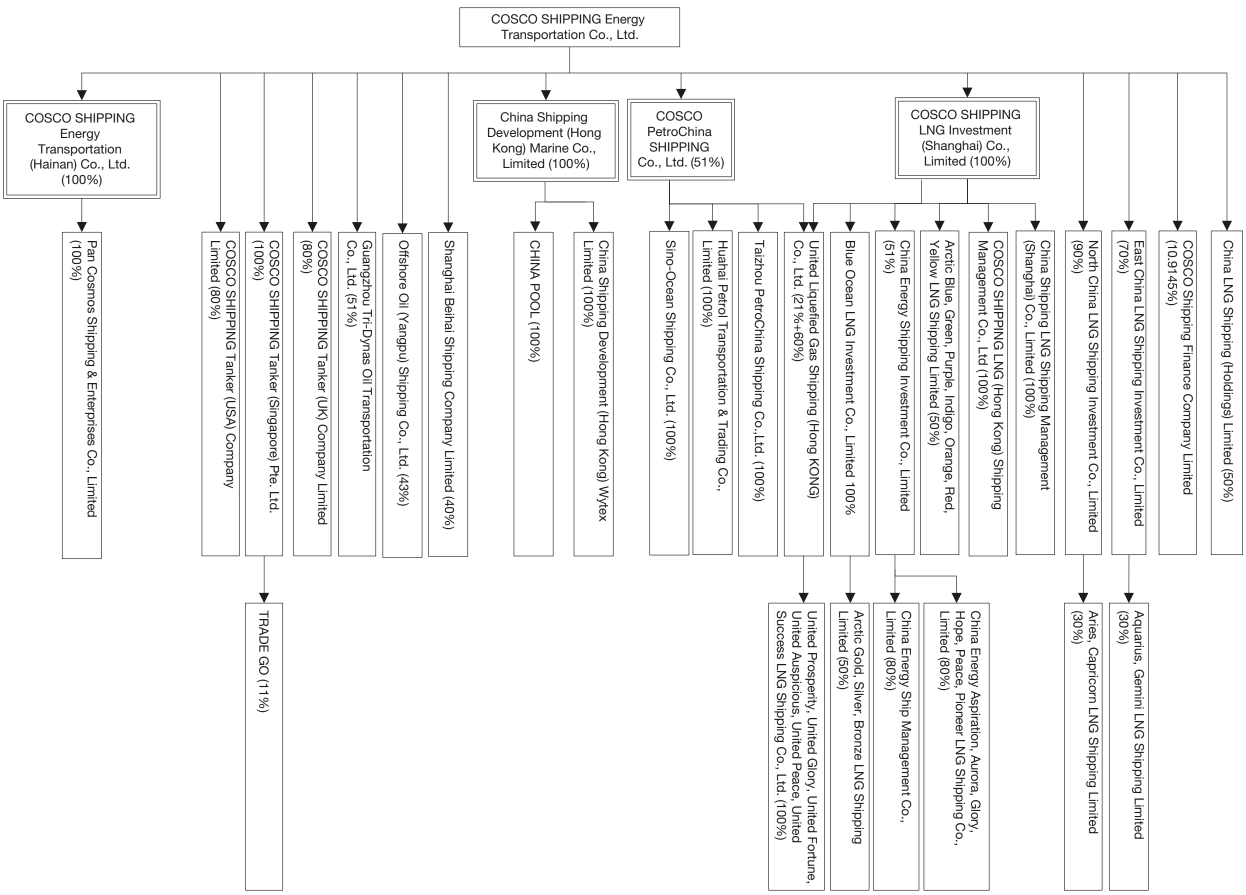
The Company is also a leader in China's LNG transportation business, and is currently an important player in the global market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, and China LNG Shipping (Holdings) Limited (CLNG), of which the Company holds 50% equity, are the only two large LNG transportation companies in China. They currently provide services mainly to projects involving LNG imports from Australia, Papua New Guinea and Russia to China.

COSCO SHIPPING Energy has always adhered to the principle of "World-Leading Safety Marketing", and practices world-class safety management of liquid cargo carriers. After years of exploration and competition, the Company has established a stable and efficient safety management system, as well as a technical, transportation and ship management system that continuously upgrades itself.

COSCO SHIPPING Energy has established a global marketing service system and global security emergency support system. By giving full play to the functions of satellite offices, the Company keeps expanding its overseas market share, fully utilizes its fleet size advantage, and has achieved well-diversified clients, sources of cargos and shipping routes.

COSCO SHIPPING Energy is committed to being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive market reputation. It will rely on the "Belt and Road" Initiative, targeted at serving oil giants and strategic partners as part of its globalized strategy, to provide clients with globalized and round-the-clock energy shipping services with all vessel types.

As at 31 December 2021, the composition of the Group was as follows:



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
					(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from continuing operations	**12,644,700**	16,268,197	13,721,140	12,099,685	9,504,935
Profit before tax from continuing operations	**(4,527,308)**	2,904,034	1,001,988	413,063	2,055,013
Profit for the year from continuing operations	**(4,667,108)**	2,631,444	671,604	293,406	1,893,369
Profit from discontinued operation, net of tax	**–**	–	–	–	–
Profit for the year	**(4,667,108)**	2,631,444	671,604	293,406	1,893,369
Profit for the year attributable to owners of the Company	**(4,985,386)**	2,381,415	413,857	74,679	1,774,648
					(Restated)
	RMB	RMB	RMB	RMB	RMB
Earnings per share (Basic)	**(1.0468)**	0.5200	0.1026	0.0185	0.4401
Dividend per share	**–**	0.2	0.04	0.02	0.05

	At 31 December				
	2021	2020	2019	2018	2017
					(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**59,388,937**	65,959,857	65,841,861	63,416,267	60,388,872
Total liabilities and non-controlling interests	**(30,797,891)**	(31,338,029)	(37,717,126)	(35,224,647)	(32,465,629)
Equity attributable to owners of the Company	**28,591,046**	34,621,828	28,124,735	28,191,620	27,923,243
					(Restated)
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.003**	7.269	6.975	6.992	6.925

1. THE MAIN BUSINESSES, OPERATING MODEL OF THE COMPANY AND CONDITIONS OF THE INDUSTRY DURING THE YEAR ENDED 31 DECEMBER 2021 (THE "REPORTING PERIOD")

(1) Industry and characteristics

The Group is mainly engaged in the shipping of crude oil, product oil, LNG and chemicals. As traditional energy, oil and natural gas play a pivotal role in the global energy structure and consumption sector, being an important strategic raw materials that support the development of national economy and society. Due to the imbalance between the distribution and consumption regions of global energy resources such as oil and natural gas, petroleum and natural gas trade and transportation play an essential role in developing the international economy.

Oil tanker is a crucial marine transportation tool. Compared with other modes of transportation such as pipeline transportation, oil tanker is the first choice for international oil transportation due to its advantages in strong transportation capacity, large transportation volume, low freight costs and the ability to cross continents and oceans, despite high safety requirements, professional operating management and long investment return period for the oil tanker transportation industry. Currently, about 80% of the world's oil is transported by oil tankers.

With the increasing maturity of LNG shipping technology and management expertise, natural gas transportation shows a clear trend of declining pipeline transportation and rising seaborne LNG transportation in the past decade, and the LNG transportation industry has entered a period of rapid development and stable income. The LNG carriers have been recognized internationally as 'three high' products with high technology, high difficulty and high added value. Nowadays, the majority of vessels among the global LNG fleet are bound to particular LNG projects ("**Project Vessels**"), where most of which involve long-term time charters with the project parties, which brings stable charter incomes and investment return.

(2) The competitive position and operating model of the Group in the industry

The Group is mainly engaged in international and domestic coastal shipping of crude and product oil and international LNG transportation. Relying on China's huge demand for oil and gas import, abundant international and domestic large-scale customer resources and comprehensive industrial chain resources of the controlling shareholder, the Group has maintained its leading position in the oil and gas import transportation sector in China, exerting a good market influence and brand reputation by virtue of its excellent management expertise and considerable fleet size.

In terms of fleet size, the Group is the world's largest oil tanker owner, covering all mainstream tanker types, and stands out globally with its complete type of vessels. As of 31 December 2021, the Group owned and controlled 166 oil tankers with a total capacity of 25.24 million Dead Weight Tonnage ("**DWT**"), including 154 self-owned oil tankers with a capacity of 21.86 million DWT, 12 chartered-in oil tankers with a capacity of 3.38 million DWT and 2 oil tankers with a capacity of 0.369 million DWT in order book. The Group's joint ventures and associated companies owned 14 oil tankers with a total capacity of 0.83 million DWT.

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd.("**CSLNG**"), a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Company holds 50% equity, are the only two large-scale LNG transportation companies in China. As of 31 December 2021, the Group had 47 jointly-invested LNG vessels, all of which are Project Vessels with stable income. Among them, 38 LNG vessels with a capacity of 6.42 million cubic meters have been put into operation; 9 LNG vessels with a capacity of 1.56 million cubic meters were under construction. 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.

China is now the world's largest importer of oil and natural gas with increasing external dependence, which presents tremendous business opportunities for the Group. As the world's leading oil tanker owner, the Group continues to provide quality energy transportation services for important domestic and international customers with its global operating network, solid ship management expertise, and customer-centric marketing philosophy. In addition, China's massive oil and gas import volume has brought the Group an affluent customer base and cargo transportation demand. Through in-depth cooperation over a long period, the Group has established good partnerships with major oil companies and domestic independent refineries, laying an essential foundation for the Group's business development and value creation capabilities.

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, ports, logistics, shipping finance, ship repair and building, and digital innovation. Relying on the solid 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, enrich customer and route resources, and actively explore coordinated development with outstanding companies under the controlling shareholder, so as to provide better integrated energy transportation solutions and value-added services for all parties, and continues to move towards the goal of "resource integrator" and "solution provider".

The operation model of the Group's tanker transportation 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 Group gives full play to the advantages of its vessel types and shipping route networks to provide customers with whole-process logistics solutions involving materials import in international trade, transshipment, and lightering in domestic trade, product oil transport and export, and downstream chemicals transportation, etc., to help customers with means to reduce logistics costs and therefore realize win-win cooperation.

In the overall business structure of the Group, the profitability of the coastal (domestic trade) oil transportation business and LNG transportation business is generally stable, providing a "safety cushion" for the Group's operating results. As a leading player in the coastal crude oil and product oil transportation industry in the PRC, the Group's position in the coastal product oil transportation market has been further enhanced after the Group completed the acquisition of product oil tanker fleet of PetroChina in March 2018. The international (foreign trade) oil transportation business provides cyclical elasticity in the Group's operating results.

2. ANALYSIS OF THE ENERGY TRANSPORTATION MARKET DURING THE REPORTING PERIOD

(1) International oil shipping market

In 2021, the international oil shipping market experienced a rare and sustained downturn in history. VLCC ("**Very Large Crude Carrier**") TD3C (Middle East-China) route recorded an average time-charter equivalent ("**TCE**") of only USD-518 per day, which is the lowest annual average in the history of this route, compared to USD48,179 per day in 2020. The TCE of major routes of other types of tankers had decreased by approximately 70%-100% year-on-year.

In terms of transportation demand , the global economy recovered further in 2021 as vaccines continued to be available and more financial support policies were put in place, contributing to the continued improvement in oil consumption, despite the recurring global epidemic. Global oil consumption was approximately 96.3 million barrels per day for the year, representing a year-on-year increase of approximately 6.1%. However, the production of the Organization of the Petroleum Exporting Countries and its allies ("**OPEC+**") was released in a slow manner, and the overall U.S. crude oil production maintained a moderate recovery in 2021, indicting no significant increase in production from major oil-producing countries. Tight oil supply has pushed up oil prices, and global oil inventories were generally digested to meet recovering demand. In 2021, the Organization for Economic Co-operation and Development ("**OECD**") commercial inventories fell from 3.03 billion barrels to 2.68 billion barrels, 230 million barrels below the 2015-2019 average. Inventory digestion weakened the recovery speed of oil seaborne trade volume, and the demand for oil tanker transportation was significantly suppressed. According to Drewry's statistics, crude oil tanker demand in 2021 was 9,891 billion tonne-nautical miles, which was lower than the 9,958 and 10,586 billion tonne-nautical miles in 2020 and 2019, respectively.

In terms of oil tanker capacity supply, 35 VLCCs were delivered, and 17 VLCCs were demolished in 2021, with a net increase of 18 VLCCs. Meanwhile, the release of offshore storage capacity has exacerbated the overcapacity of oil tankers, making the oil transportation market lack of driving force for recovery.

In addition, the overall increase in fuel prices in 2021 also put pressure on the cost of international oil tanker owners, posing a challenge to the operating environment of the international oil shipping market throughout the year.

(2) Domestic oil shipping market

Domestic crude oil shipping market:

In terms of offshore oil, in 2021, domestic oil and gas exploration standards continued to improve. The offshore oil and gas resources development gradually moved towards deepwater and ultra-deepwater, with steady production growth. In particular, the stable production of Liuhua 16-2 oilfield in the eastern South China Sea provided vital support for demand for transportation.

In terms of transshipment oil, starting from the second half of 2021, under the background of promoting the goal of "carbon peaking and carbon neutrality" in China, the new taxation policy for the petrochemical industry has been introduced, and the domestic taxation regulation on local refineries has become more stringent. These factors have reduced the activity of oil products trading. In 2021, China's crude oil imports declined year on year, affecting the demand for domestic transshipment oil transportation.

In terms of pipeline oil, the fixed transportation routes, the generally stable loading and unloading links and the highly efficient number of voyages contributed the steady and slight growth of the transportation demand for such transportation market in 2021.

Domestic product oil shipping market:

The domestic product oil shipping market was restrained after a positive trend in 2021. In the first quarter, the market continued its exuberance from last year with sufficient cargoes. Since the second half, the market trade in China has been dramatically reduced, and the transportation demand has declined.

(3) LNG shipping market

In 2021, the global LNG trade volume reached approximately 379 million tonnes, representing an increase of approximately 6.5% compared to 2020. China has become the world's largest importer of LNG, with LNG imports reaching 79.84 million barrels with a year-on-year increase of 16%, as the country continued to promote energy transformation driven by the goal of "carbon peaking and carbon neutrality". In 2021, the United States was the country with the most significant increase in LNG supply globally, and its LNG export volume has increased by 43% year on year, with nearly 50% of its exports to Asia. Long-haul trade helped boost LNG shipping demand.

As of the end of 2021, the global LNG fleet consisted of a total of 707 LNG carriers, including LNG bunkering vessels, floating storage regasification units ("**FSRUs**"), floating storage units ("**FSUs**") and floating liquefied natural gas ("**FLNG**") vessels, with a total capacity of approximately 105.83 million cubic meters, representing an increase of 63 carriers, or approximately 9.73 million cubic meters, compared with those of the same period of last year.

3. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

As of 31 December 2021, the Group held and controlled 166 oil tankers with 25.24 million DWT, representing a year-on-year increase of 6 vessels with 1.51 million DWT. 38 LNG vessels with 6.42 million cubic meters have been put into operation among the jointly-invested LNG vessels.

In 2021, the Group realized a transportation volume (excluding time charters) of 167.29 million tonnes with a year-on-year increase of 4.1%; transportation turnover (excluding time charters) of 507.7 billion tonne-nautical miles with a year-on-year increase of 4.5%; revenues from principal operations of RMB12.645 billion with a year-on-year decrease of 22.3%; cost of principal operations of RMB11.77 billion with a year-on-year increase of 2.0%, and gross profit margin decreased by 22.1 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB-4.985 billion with a year-on-year decrease of 309.3%, and earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of RMB-0.86 billion with a year-on-year decrease of 112.4%.

In 2021, the international oil transportation market remained in the doldrums. The Group worked in the following five aspects to counteract the impact of the downturn in the international oil transportation cycle on its overall performance:

The first is to tap the potential of cost reduction and efficiency improvement with multiple measures taken to reduce costs and expenditures; the second is to increase investment in LNG vessels and accelerate the implementation of LNG transportation projects; the third is to consolidate and expand the cargo profile of domestic oil shipping to offset the losses of international oil shipping with stable revenue; the fourth is to optimize the route layout of the foreign trade fleet to improve the operating efficiency of the entire fleet; and the fifth is to insist on green and innovative development, promote comprehensive benchmarking and enhance the efficiency of comprehensive corporate management.

(1) Revenue from principal operations

In 2021, overall details of the Group's principal operations in terms of cargoes and geographical regions were as follows:

Principal operations by products transported

Industry or Cargo	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2020	Increase/ (decrease) in operating costs as compared with 2020	Increase/ (decrease) in gross profit margin as compared with 2020
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic crude oil	2,978,012	2,035,334	31.7	1.9	7.4	(3.5)
Domestic refined oil	2,586,595	2,091,322	19.1	9.0	8.1	0.7
Domestic vessel chartering	105,338	84,979	19.3	1.5	(3.2)	4.0
Domestic Oil Shipping Sub-Total	5,669,946	4,211,634	25.7	5.0	7.5	(1.7)
International crude oil	4,003,999	4,935,699	(23.3)	(44.6)	(5.8)	(50.7)
International refined oil	1,005,248	1,189,481	(18.3)	(7.6)	20.6	(27.7)
International vessel chartering	734,405	856,299	(16.6)	(41.2)	11.2	(55.0)
International Oil Shipping Sub-Total	5,743,652	6,981,478	(21.6)	(39.9)	(0.2)	(48.4)
Oil Shipping Sub-Total	11,413,598	11,193,113	1.9	(23.7)	2.6	(25.1)
International LNG Shipping	1,231,102	579,606	52.9	(2.8)	(4.1)	0.6
LPG Shipping	–	–	–	(100.0)	(100.0)	N.A.
Total	12,644,700	11,772,719	6.9	(22.3)	2.0	(22.1)

Note: The operating costs and gross profit margin in the above table have been excluded from the impact of vessel impairment loss.

Principal Operations by Geographical Regions

Regions	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2020	Increase/ (decrease) in operating costs as compared with 2020	Increase/ (decrease) in gross profit margin as compared with 2020
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	5,669,946	4,211,634	25.7	4.5	7.3	(1.9)
International shipping	6,974,754	7,561,085	(8.4)	(35.7)	(0.8)	(38.1)
Total	12,644,700	11,772,719	6.9	(22.3)	2.0	(22.1)

Note: The operating costs and gross profit margin in the above table have been excluded from the impact of vessel impairment loss.

(2) **Shipping business – Oil and Gas Shipping**

International oil shipment business:

In 2021, the Group achieved revenue from international oil shipping of RMB5.744 billion, representing a year-on-year decrease of 39.9%; gross profit for the segment of RMB-1.238 billion, representing a year-on-year decrease of 148.3%, and gross profit margin of -21.6%, representing a year-on-year decrease of 48.4 percentage points.

Operational highlights of the international tanker fleet are as follows:

(1) Intensified efforts to develop new customers and continued to seek new routes. The VLCCs with economical and fuel-efficient capacity were mainly deployed in the Atlantic market for higher efficiency, while the remaining vessels were primarily deployed in the Middle East-Far East route. The black oil tanker fleet (mainly small and medium-sized oil tankers) for international trades had been actively developing return cargoes and had successfully explored new routes such as from the Far East to Alaska and the U.S. West and from Singapore to New Caledonia.

(2) Optimized the global operation layout and achieved outstanding benefits from the triangular route. In 2021, the Group enhanced its Atlantic cargoes contracted. The working days of the VLCC triangular route accounted for 18.8%, which is 10.1 percentage points higher than that in 2020. The fleet for international refined oil has actively built the "China-Singapore-Middle East-Far East-China" triangular route, covering Australia, East Africa, Europe and other regions. The shipping routes and customer groups were increasingly enriched.

(3) Cost expenditure reduced significantly by exploring the potential in fuel cost control. More efficient procurement cost control was achieved by strengthening market research and analysis and regularly sorting out procurement requirements. During the Reporting Period, the average procurement price was lower than the market level in the same period, thus savings in procurement cost were achieved. At the same time, the management of fuel consumption for sailing and cargo heating was strengthened, and the average unit fuel consumption of the fleet decreased by 5% year on year.

Domestic oil shipping business:

In 2021, the Group recorded domestic oil shipping revenue of RMB5.670 billion with a year-on-year increase of 5.0%, gross profit of RMB1.458 billion, remaining stable as compared with last year, and gross profit margin of 25.7% with a year-on-year decrease of 1.7 percentage points.

Operational highlights are as follows:

(1) Continuously tapped the potential of stock market and continued to increase the proportion of primary supply. In 2021, we signed COA contracts with several customers, thereby we locked more than 90% of the primary supply and safeguarded the stock demand of existing customers, so that we could maintain the leading position in the domestic trade market.

(2) Strived to seize opportunities in incremental market and achieved remarkable results in developing new customers and new markets. We actively sought new sources for transferring crude oil and product oil in emerging private refining-chemical integration projects. At the same time, the Group paid close attention to the domestic transshipment needs of foreign charterers to lock in cargo sources in the form of COA, and continuously enriched the domestic customer groups and cargo sources.

LNG shipping business

In 2021, the Group realized a net profit attributable to parent company tax from the LNG shipping segment of RMB664 million with a year-on-year increase of 4.4%. Operational highlights are as follows:

(1) Accelerated the implementation progress of the LNG projects and further demonstrated the anti-cyclical resilience. During the Reporting Period, CSLNG, a wholly-owned subsidiary of the Group, completed the equity acquisition of the Arctic No. 2 transportation project, signed a shipbuilding contract and a charter contract for 3 LNG carriers of Phase II, PetroChina's LNG Transportation Project. And in January 2022, it signed a framework agreement with a partner for six LNG carriers of CNOOC Gas & Power. As of the end of the Reporting Period, the to-be-delivered capacity of the Group's LNG transportation segment has risen to 9 vessels.

(2) Fully promoted the whole chain of LNG transportation and effectively improved the comprehensive management level. The preparatory work for establishing the Hong Kong LNG Shipping Management Company was advanced continually, which helped the Group manage LNG vessels independently.

4. COSTS AND EXPENSES ANALYSIS

In 2021, the Group's cost from principal operations was approximately RMB16.734 billion, representing a year-on-year increase of 35.1%.

The composition of the operating costs of the Group's main businesses is as follows:

	2021 *(RMB'000)*	2020 *(RMB'000)*	Increase/ (decrease) *(%)*	Composition of 2021 *(%)*
Oil shipping operating costs				
Items				
Fuel costs	**3,217,781**	3,081,301	4.4	28.7
Port costs	**792,380**	797,253	(0.6)	7.1
Sea crew costs	**2,009,482**	1,572,243	27.8	18.0
Lubricants expenses	**272,022**	316,759	(14.1)	2.4
Depreciation	**2,479,353**	2,616,708	(5.2)	22.2
Insurance expenses	**161,324**	187,790	(14.1)	1.4
Repair expenses	**303,747**	449,098	(32.4)	2.7
Charter costs	**1,577,100**	1,256,525	25.5	14.1
Others	**379,922**	635,861	(40.3)	3.4
Sub-total	**11,193,113**	10,913,537	2.6	100.0
LNG shipping operating costs				
Items				
Sea crew costs	**96,812**	111,756	(13.4)	16.7
Lubricants expenses	**7,446**	8,704	(14.5)	1.3
Depreciation	**288,553**	307,168	(6.1)	49.8
Insurance expenses	**15,794**	16,870	(6.4)	2.7
Repair expenses	**129,040**	124,383	3.7	22.3
Others	**41,962**	35,275	19.0	7.2
Sub-total	**579,606**	604,157	(4.1)	100.0
LPG shipping operating costs				
Sub-total	**–**	27,918	(100.0)	N.A
Sub-total	**11,772,719**	11,545,612	2.0	100.0
Vessel impairment loss	**4,961,450**	840,941	489.99	100.0
Total	**16,734,169**	12,386,553	35.1	100.0

5. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

(1) The operating results achieved by the major joint venture of the Group during the Reporting Period are as follows:

Company name	Interest held by the Group	Shipping volume	Operating revenue	Net profit
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
CLNG	50%	72.58	980,995	887,862

(2) The operating results achieved by an associate of the Group during the Reporting Period are as follows:

Company name	Interest held by the Group	Shipping volume	Operating revenue	Net profit
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	17.35	1,663,545	513,320

6. FINANCIAL ANALYSIS

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB3,335,953,000, representing a decrease of approximately 52% as compared to approximately RMB6,973,111,000 for the year ended 31 December 2020.

(2) Capital commitments

	Note	**31 December 2021** *RMB'000*	31 December 2020 *RMB'000*
Authorized and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,924,783**	5,382,212

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2022 to 2025.

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 RMB387,974,000 (31 December 2020: RMB43,168,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,223,740,000 (31 December 2020: RMBnil).

(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, bonds payable and lease liabilities less cash and cash equivalents.

The Group's net debt-to-equity ratio as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Total debts	**25,463,130**	26,034,274
Less: cash and cash equivalents	**(3,523,889)**	(4,869,963)
Net debt	**21,939,241**	21,164,311
Total equity	**29,922,283**	35,602,346
Net debt-to-equity ratio	**73%**	59%

As at 31 December 2021, the balance of cash and cash equivalents amounted to RMB3,523,889,000, representing a decrease of RMB1,346,074,000 and by 28% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2021, the Group's net gearing ratio (i.e. net debts over total equity) was 73%, which was higher than 59% as at 31 December 2020. The increase was primarily due to the decrease of equity caused by loss for the year.

(4) Trade and bills receivables and contract assets

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade and bills receivables from third parties	**369,222**	450,899
Trade receivables from a joint venture	**34**	35
Trade receivables from fellow subsidiaries	**998**	16,942
Trade receivables from related companies *(Note)*	**7,718**	211,935
	377,972	679,811
Less: allowance for doubtful debts	**(8,490)**	(11,302)
	369,482	668,509
Current contract assets relating to oil shipment contracts	**750,802**	636,761
Less: allowance	**(1,641)**	(4,718)
Total contract assets	**749,161**	632,043

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

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

As at 31 December 2021, trade and bills receivables and contract assets of RMB207,988,000 (31 December 2020: RMB686,523,000) are denominated in USD.

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

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 3 months	**285,553**	514,041
4 – 6 months	**41,029**	73,717
7 – 9 months	**18,713**	31,587
10 – 12 months	**10,454**	28,788
1 – 2 years	**12,120**	19,984
Over 2 years	**1,613**	392
	369,482	668,509

(5) Trade and bills payables

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Trade and bills payables to third parties	**960,141**	937,020
Trade payables to fellow subsidiaries	**787,821**	662,178
Trade payables to an associate	**6,259**	5,353
Trade payables to related companies *(Note)*	**26,323**	5,553
	1,780,544	1,610,104

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

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

As at 31 December 2021, trade and bills payables of RMB879,196,000 (31 December 2020: RMB647,465,000) are denominated in USD.

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

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 3 months	**1,547,398**	1,257,446
4 – 6 months	**58,657**	61,626
7 – 9 months	**37,475**	30,439
10 – 12 months	**9,833**	13,382
1 – 2 years	**112,179**	38,010
Over 2 years	**15,002**	209,201
	1,780,544	1,610,104

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

(6) Derivative financial instruments

As at 31 December 2021, the Group had interest rate swap agreements with total notional principal amount of approximately USD507,350,000 (equivalent to RMB3,234,711,000) (31 December 2020: approximately USD527,507,000 (equivalent to 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.

For the year ended 31 December 2021, the floating interest rates of the bank borrowings were 3-month London Inter-bank offered Rated ("**LIBOR**") plus 2.20% (31 December 2020: 3-month LIBOR plus 2.20%).

(7) Interest-bearing bank and other borrowings

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	**1,446,027**	1,303,003
Unsecured	**6,168,409**	5,346,418
	7,614,436	6,649,421
(ii) Other borrowings		
Unsecured	**33,000**	33,000
Interest-bearing bank and other borrowings – current portion	**7,647,436**	6,682,421
Non-current liabilities		
(i) Bank borrowings		
Secured	**11,959,656**	12,851,065
Unsecured	**637,571**	848,237
	12,597,227	13,699,302
(ii) Other borrowings		
Unsecured	**69,850**	109,850
Interest-bearing bank and other borrowings – non-current portion	**12,667,077**	13,809,152

As at 31 December 2021, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2020: 45) vessels with total net carrying amount of RMB20,561,254,000 (31 December 2020: RMB23,326,942,000).

As at 31 December 2021, secured bank borrowings of RMB13,130,514,000 (31 December 2020: RMB14,033,368,000) and unsecured bank borrowings of RMB6,464,953,000(31 December 2020: RMB6,194,655,000) are denominated in USD.

(8) **Bonds payable**

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

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
At the beginning of the year	**2,495,824**	2,493,477
Interest charge	**42,690**	2,347
	2,538,514	2,495,824
Less: current portion	**2,538,514**	–
Non-current portion	**–**	2,495,824

(9) Contingent liabilities

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

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

On 15 July 2011, the Company entered into four guaranteed leases (the "**Lease Guarantees**"). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the Four Associates with guarantee (1) for the Four Associates to 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 RMB52,281,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

(ii) At the seventh 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 31 December 2021, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB40,804,000).

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to approximately RMB2,406,827,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single vessel Companies with the amount of Euro4.5 million (equivalent to approximately RMB32,489,000). The guarantee period is limited to the lease period.

(10) Foreign exchange risk management

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

As at 31 December 2021, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the year would have been RMB38,187,000 higher/lower (31 December 2020: RMB12,173,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables, payables and borrowings.

(11) Interest rate risk management

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

As at 31 December 2021, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB99,926,000 lower/higher (31 December 2020: RMB93,214,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

7. OTHERS

(1) Fleet Expansion Projects

In 2021, the Group achieved further fleet expansion.

In 2021, the cash outflow from investment activities of the Group, including the payments for construction and purchase of new vessels, vessel reconstruction, capital increases and loans for associates and joint ventures of the Group, was approximately RMB3.518 billion, of which approximately RMB1.933 billion was paid for the vessel construction progress and purchase of new vessels.

In terms of fleet expansion, 5 new oil tankers with a total capacity of approximately 946,000DWT were delivered for use in 2021.

As at December 31, 2021, the specific composition of the Group's fleet was as follows:

	Vessels in operation			Vessels under construction	
		DWT/cubic			DWT/cubic
	Number	*meters '0000*	*Average age*	*Number*	*meters '0000*
Holding subsidiaries of the Group					
Oil tanker	154	2,186	10.4	2	36.9
LNG carrier	6	105	4.4	6	104.4
Sub-total	160	2,186/105	10.1	8	36.9/104.4
Long-term charter-in					
Oil tanker	12	338	10.4		
Sub-total	12	338	10.4		
Joint ventures					
Oil tanker	14	83	9.6	3	30.5
LNG carrier	32	537	5.1	3	51.8
Sub-total	46	83/537	6.5	6	30.5/51.8
Total	218	2,606/642	9.4	14	67.4/156.2

(2) **Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

During the Reporting Period, the Group did not have any material acquisition and disposal in relation to subsidiaries, associates and joint ventures.

(3) **Significant Investments**

The Group did not have any individual investment with a fair value of 5% or more of its total assets. Accordingly, the Group did not hold any significant investments during the Reporting Period.

8. OUTLOOK AND HIGHLIGHTS FOR 2022

(1) **Competitive landscape and trends in the industry**

International oil shipping market

In the short term, the international oil transportation market trend will be full of uncertainty due to the influence of geopolitical and economic events. The flow of oil trade, the progress of the existing old tonnage withdrawal, market sentiment, and other factors will all change with the development of events, which in turn will cause fluctuations in international tanker freight rates.

In terms of transportation demand, global oil consumption is expected to return to pre-pandemic levels in 2022. In this context, if OPEC+ can continue its monthly production increase plan of 400,000 barrels per day, it may rebound to the output before its April 2020 production cut agreement in September 2022. In addition, the current OECD commercial inventory has been significantly lower than the historical five-year average, and there is little room for further release of offshore oil storage capacity after destocking in 2021. Therefore, the continued recovery of crude oil production in oil-producing countries, as well as lower oil inventory levels, are expected to promote a gradual recovery in transportation demand.

In terms of tonnage supply, the global VLCC fleet is seriously aging, with VLCCs over 15 years old accounting for about 24%, of which nearly 60 VLCCs are over 20 years old. Considering the approach of International Maritime Organization ("**IMO**") Energy Efficiency eXisting ship Index ("**EEXI**") and the new Carbon Intensity Index ("**CII**") regulations, there is more room for the accelerated elimination of old tonnage. The current global VLCC orders in hand only account for 31% of the tonnage of more than 15 years, which is at a historical low, and the shipyard production capacity is highly tight, and the growth rate of oil tanker supply will slow down significantly in the future. In 2021, 33 new VLCCs were ordered, and 41 VLCCs are expected to be delivered in 2022. If the progress of old tonnage withdrawal is slow, there will still be a net increase in capacity supply in the short term.

In the long run, under the trend of increasingly strict environmental protection policies, the withdrawal of old high-emission tonnage from the market is inevitable, and the optimization of the supply side will be a critical factor to promote the balance between supply and demand of oil transportation.

Domestic oil shipping market

Domestic crude oil transportation market

In terms of offshore oil, China's offshore oil and gas production is expected to continue growing in 2022, resulting in further increase demand for transportation. In terms of transshipment oil, the total allowable non-state trade import of crude oil in 2022 remains the same as in 2021. The quota for large-scale refining-chemical integration projects will be basically released in full, but large-scale refineries will be basically equipped with VLCC berths, and the capacity of some traditional local refineries will be further optimized under the domestic goal of "carbon peaking and carbon neutrality". The demand for transshipment oil transportation may be affected to a certain extent.

Domestic product oil transportation market:

Traditional load refineries and part of traded freight sources showed a negative trend. However, domestic large-scale refining-chemical integration projects will be put into production one after another once completed, and the scale is expected to increase year by year, which will make a hedge effect on the transportation demand.

LNG shipping market:

At present, the global energy transformation is profoundly changing the energy consumption structure. As the cleanest fossil energy, LNG will play an irreplaceable role in the global energy transformation. The LNG market is ushering in a new round of development opportunities.

In terms of market demand, as countries continue to take measures to stimulate economic recovery and as energy transformation continues to gain momentum under the goal of "carbon peaking and carbon neutrality", LNG demand remains robust. According to the forecast, the average compound annual growth rate of LNG trade is expected to reach 4% from 2022 to 2026, the average compound annual growth rate of LNG trade is expected to reach 4% and the global LNG trade volume is expected to reach 390 million tons in 2022 and 476 million tons in 2026.

In terms of transportation capacity supply, as of 31 December 2021, the global LNG fleet reached 707 vessels, totalling 106 million cubic meters, while there are 185 LNG vessels on order, of which 42 are scheduled for delivery in 2022, and 143 will be delivered in 2023-2025.

New energy transportation business:

At present, energy giants at home and abroad are in the stage of accelerating business transformation, and they have all increased research and investment in the field of new energy. New energy transportation businesses such as ethane, methanol, and ethanol are ascendant.

For ethane transportation, the U.S. is the only net exporter of ethane around the world, and its export volume continues to grow, with 70% of it exported to Europe and India by seaborne shipping. China is the second-largest ethylene producer in the world after the U.S., and the use of ethane cracking to produce ethylene has become the current development direction. Therefore, in order to better meet the needs of long-haul seaborne shipping, the demand for very large ethane carriers ("**VLEC**") capacity is growing rapidly.

For methanol and ethanol transportation, in recent years, a large number of coal-to-olefin installations have been put into production, and the consumption and output of methanol in China have shown a significant increase. Although the fuel ethanol market is not yet mature, it has greater potential for development because of its relatively clean, green, and renewable characteristics.

With the further release and development of the domestic production capacity of these new energy sources, the demand for transportation will increase, and the trend of large-scale vessels will bring new opportunities for the Group's high-quality development. Therefore, the new energy transportation business will become an important area for the Group to expand new business in the next step.

(2) Development strategies of the Company

Facing the "14th Five-Year Plan", the Group will firmly adhere to the corporate vision of "to be an outstanding leader in global energy transportation" and to the corporate mission of "Deliver energy for the world", and uphold the strategic goal of "four global leading". The Group is committed to the mission and responsibilities of national energy transportation and will continue to enhance its competitiveness, innovation, control, influence and risk resistance.

The Group will seek progress while maintaining stability, promote high-quality development, implement the new development concept, and practically improve the standard of corporate management via concept and system refinement. As the Group's core basic business, the oil tanker business will consolidate its leading edge and strive to become a leader in the global oil tanker transportation industry. As the "second development curve" of the Group, LNG and new energy transportation will be prioritized and vigorously developed. The group strive to become the world's top-tier player. The Group will accurately grasp the cyclical trends in the shipping and capital markets to realize the side-by-side advance of production and capital operations. The Group will empower its shipping business via digitalization, and use data assets to create value. The Group will also accelerate the transformation of "low-carbon shipping" and strive to build a brand image as a "leader in sustainable development".

(3) Operational plans

In 2022, the Group expects to have 2 oil tankers delivered, with 369,000 DWT. It is expected that there will be 168 oil tankers in operation during the year, totalling 25.61 million DWT, and 39 LNG vessels, totalling 6.596 million cubic meters (including joint ventures, associates and long-term chartered-in vessels).

According to the conditions of the domestic and international shipping market in 2022, combined with the Group's fleet expansion, the main operating targets of the Group in 2022 are as follows: generating an expected operating income of RMB14.42 billion and incurring operating costs of RMB13.01 billion.

(4) Work initiatives of the Company

In 2022, in the face of complex and ever-changing internal and external situations, as well as the opportunities and challenges brought about by the global energy transition, the Group will adhere to the general keynote of seeking progress while maintaining stability, insist on the principle of "leading in the party building, leading in the value, leading in the technology, and leading in the world". With an aim at improving its corporate efficiency and stimulating corporate vitality, the Group will highlight strategic leadership, focus on efficiency and expertise, deepen safety and compliance management, as well as adhere to digital and green development, so as to accumulate momentum for accelerated development for the Company. Besides, the Group will continue to promote the implementation of the "14th Five-Year Plan", and specifically advance the following key tasks:

1. Global development: the Company will optimize the functional positioning of existing stock outlets, strengthen the role of newly established outlets, and enhance market development. Leveraging on the regional advantages of global outlets, the Company will synchronize with the global strategic counterparts of major domestic and foreign customers. The Company will also reform the internal management and control mode of overseas outlets and clarify the overseas development management department to truly create a "tentacle" overseas outlet management mode.

2 International oil tanker transportation: the Company will scientifically study and judge the market trends, optimize the route layout, reasonably control the rhythm of cargo loads, focus on striving for high-yielding short-haul cargo loads, and strengthen the contracting of cargo sources for triangular routes, so as to improve its operating efficiency. In addition, the Company will promote the high-quality operation of CHINA POOL by giving full play to the advantages of customer resources and fleet size.

3. Domestic trade tanker transportation: the Company will renew COA with its customers to ensure basic supply of goods and increase the contracting of long-distance offshore oil routes. The Company will also reduce the no-load distance and improve the operational efficiency of ships by carrying out measures such as exchanging cargo and vessel space.

4. LNG and new energy transportation: the Group will pay close attention to the transportation needs of large energy companies, seek investment opportunities in the upstream and downstream of LNG transportation, actively participate in the LNG refueling business and continuously promote LNG transportation projects, thereby achieving breakthroughs in the development of the LNG industry chain. The Company will also solidly promote the construction of LNG ship management company in Hong Kong. Meanwhile, the Group will closely follow the investment trend, consumption, and transportation pattern in the new energy field, so as to make a forward-looking layout of the new energy transportation business.

5. Oil tanker capacity optimization: based on its development goals and operational needs, the Company will coordinate factors such as capacity development goals and the shipbuilding market, and scientifically plan the development of oil tanker capacity. Also, the Company will promote the professionalization and modelization of the old shipping capacity disposal by further comprehensively evaluating factors such as the operating capacity, management costs, and safety management risks of the old shipping capacity.

6. Whole-process cost control: the Company will continue to promote lean management of fuel costs; scientifically evaluate the operating cost of the vessels' whole life cycle and optimize the operating cost investment on a ship-by-ship basis; effectively use the cross-border capital pool to finance domestic and foreign capital, improve the efficiency of own capital utilization and reduce capital costs.

7. Safety and risk management and control: the Company will continue to deepen the construction of integrated management system, solidify the closed-loop management of hidden danger investigation and incident handling from the process, and improve the efficiency of safety management; continuously deepen the compliance management, constantly optimize the commercial risk prevention and control network, and promote the further improvement of the risk control system; dynamically follow up the latest information on domestic and international epidemic prevention, adjust epidemic prevention and control strategies promptly, optimize the working mechanism of epidemic prevention and control of the vessels, and cooperate with all parties to properly deal with the difficulty of crew shift change.

8. Technological innovation and digital transformation: the Company will comprehensively promote the optimization of existing business systems and the construction of supporting systems and continue to carry out digital upgrades of business systems, CHINA POOL-related systems, customer service, intelligent ship monitoring, and other systems; accelerate the integration of digitalization and business, improve the level of auxiliary and scientific decision-making, and comprehensively improve the overall safety and efficient operation capabilities of the complete energy-transportation services; promote the effective integration of scientific and technological innovation and intelligent vessels, and scale up research on new energy power for vessels with the help of artificial intelligence and big data innovation technology.

9. Research on ship emission reduction and green ship fuel: in view of the new regulations of IMO EEXI and CII, the Company will promote the compilation and submission of relevant documents for ship technology for review and take corresponding measures to meet EEXI requirements; keep track of the decarbonization path of the industry and work with relevant parties to explore the technical application of low-carbon and zero-carbon fuels as ship power to help achieve the long-term goal of reducing fleet carbon emissions.

10. Talent development: the Company will build a channel for exchange and a platform for all kinds of talents to give full play to their abilities and optimize career development channels; focus on training at multiple levels and types of projects, implement an internal training mechanism to enhance the core competitiveness of the talent team.

CORPORATE GOVERNANCE REPORT

The Company has placed much emphasis on corporate governance and accountability. Good corporate governance can improve the Company's scientific decision-making and risk prevention abilities, ensure normal and effective operations, and promote the sustained development of the Company. The Board believes that shareholders of the Company (the "**Shareholders**") can derive the greatest benefits from good corporate governance.

I. IMPROVEMENT OF CORPORATE GOVERNANCE

During the Reporting Period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the articles of association of the Company (the "**Articles**"), related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and having regard to the actual conditions of the Company, the Company constantly formulates, improves and implements various operational systems and related procedures for each of the Board and its special committees.

During the Reporting Period, checks and balances were achieved through the coordination among the Shareholders' meeting, the Board and its related special Board committees, the supervisory committee of the Company (the "**Supervisory Committee**") and management headed by the chief executive officer. Together with the effective internal control and management systems, the Company's internal management and operations were further standardised and the corporate governance of the Company was further enhanced.

II. SITUATION OF INTERNAL CONTROL AND RISK MANAGEMENT

1. DEVELOPMENT

The Company has been committed to the perfection and improvement of its internal control and risk management system, complemented with special activities such as corporate governance to thoroughly strengthen the establishment of its internal management system. The Board is responsible for the establishment, improvement and effective implementation of internal control and risk management; the Supervisory Committee supervises the establishment and implementation of an internal control and risk management system by the Board; the management is responsible for organising and taking the lead in the daily operation of internal control of the Company; the risk control committee of the Company (the "**Risk Control Committee**") is responsible for guiding the evaluation of the effectiveness of internal control and risk management by internal bodies of the Company.

In 2021, the Company finished the integration of quality system and risk control system and solved the corresponding problem of discrepancy brought by multiple systems, which laid the foundation for the further integration of systems. The new integrated version includes two main parts, *the Shore-based Management Manual* and *the Ship Management Manual. The Shore-based Management Manual* covers 10 general aspects such as the general principals, procedure files and KRI index base. Categorized by duty and business, there are 10 primary procedures, 48 secondary procedures and 163 tertiary procedures; From the perspective of risk framework, there are 5 primary risks, 37 secondary risks and 85 tertiary risks, consisting 177 risk scenarios; to ensure the effective operation of the system, external auditing, internal auditing, internal control evaluation, compliance evaluation, third-party auditing, the assessment of the system and other methods have be adopted to supervise the operation, rectify the shortage and consistently improve the management; quality, health, safety, environmental protection and multi-dimensional indicators are recognized in the internal control and risk management for users' learning and search as well as internal and external review.

2. MANAGEMENT STRUCTURE

The Company has established a "three lines of defence model", which together with various operation activities, forms an internal control and risk management operation system in accordance with the COSO (Committee of Sponsoring Organization) Framework and the Guidelines on Comprehensive Risk Management of State-owned Enterprises (《中央企業全面風險管理指引》) based on environmental monitoring, risk assessment and countermeasures, supervision and improvement, as well as information communication and management.

The first line of defence comprises all departments and all units, which are responsible for participating in the construction of the risk control system, implementing systems related to risk management and business control, as well as responding to and reporting risk events; the second line of defence comprises the Company's risk management department, which is responsible for organizing, establishing and maintaining the risk control system, preparing risk control management reports regularly and reporting to the management, as well as participating in the control of high-risk businesses and giving advice from a risk perspective; and the third line of defence comprises the Company's audit department, which is responsible for the construction and evaluation of the risk control system, as well as supervising risk management and internal control.

The Company's management makes decisions on significant risk matters; considers and approves the Company's management rules and regulations; considers the Company's annual self-evaluation report on internal control and risk management report, and provides guidance on annual risk management work according to the Rules of Procedures for General Manager's Meeting (《總經理辦公會議事規則》).

The Risk Control Committee was established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities include reviewing the Company's financial control, internal control and risk management systems; discussing with the management on the internal control system to ensure the management has performed its duties in establishing an effective internal control system; evaluating the appropriateness of the design of the listed company's internal control systems; reviewing the self-evaluation report on internal control. In 2021, two meetings were held by the Risk Control Committee to listen to the special reports on the construction of the internal control and risk management system, as well as operation monitoring, and to provide guidance on internal control and risk management efforts.

The audit committee of the Company (the "**Audit Committee**") was established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities include reviewing the internal control audit report issued by external audit firms, and discussing with external audit firms on problems found and improvements; evaluating internal control evaluation and audit results, thereby supervising the rectification of defects on internal control.

3. WORK RESULTS OF 2021

(1) Strengthen the construction of compliance system and defend the baseline of compliance regulation

The Company greatly constructed the compliance management system with the mindset of "seeking comprehensive promotion with key factors emphasized". Firstly, top-level design was strengthened to further perfect the compliance organization system of the Company. Compliance committee and a leading group of rule of law establishment were set to strengthen the leadership function of compliance management organization. Secondly, the institutional base was bolstered to consistently improve the compliance management system. On the basis of comprehensively promote compliance management, key areas and procedures were highlighted and *the Compliance Management Measures of the Company* and *the Sanction and Risk Management Manual of the Company version 3.0* were published. Thirdly, management and control mechanism was improved to further regulate the compliance with operational behaviour of the Company. The Company consistently monitored international sanction dynamics and deeply studied sanction policies, laws and regulations. To further enhance the capacity of sanction prevention for the fleet, the Company issued 17 risk prompt letters, carried 18 risk investigations of sanction and monitored 285 voyages compliance. Fourthly, compliance publicity and implementation were focused to continuously improve the compliance culture of all employees. The themes of stereoscopic training and publicity of the Company consisted of President Xi Jinping's thought on the rule of law, the Civil Law, international sanction, compliance of the state-owned enterprise and other topics. The Journal of *Ship the Compliance* was used as a vital media to continuously improve the compliance operation of ships, enhance compliance awareness of employees, and inspire the compliance culture of the Company.

(2) Promote the integration of systems and consistently improve management efficiency of the Company.

On the basis of system integration, the Company also formulated the corresponding rules and regulations of the headquarter. Firstly, the Company conducted institutional investigation to functional departments and marketing centers of the Company respectively and to further perfected the integration plan for the shore-based integration system; the Company formulated annual plan of rules and regulations, and followed and reported the progress of regulation formulation monthly. Secondly, the Company comprehensively promoted the publicity of the institution and system, in which the publicity of *the Risk Management Manual* to oversea companies was a key mission to be enhanced; publicity activities of rules and regulations of the headquarter were fully planned and promoted.

(3) *Risk prevention and control in key areas of the Company*

Firstly, the Company prevented the risk of no-invoice delivery and carried out major inspection in this regard. It targeted the risk exposure and designed an insurance plan in an innovative way, which solved the long-time difficulty of the oil shipping industry and further realized an effective control on the risk of no-invoice delivery. Secondly, regarding the risk prevention on the labour recruitment, the Company actively solved the main conflicts, and maintained the stability of the Company with problem-oriented method. Thirdly, in terms of risk prevention on the debt and liability, the Company collected the accounts receivable for approximately RMB4.35 million during the whole year via legal proceedings, arbitrations, lawyer's letter issuance and other legal means.

III. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, the Company is independent of its direct controlling Shareholder, China Shipping Group Company Limited, and its indirect controlling Shareholder, China COSCO SHIPPING Corporation Limited, in respect of its business, personnel, asset, organizational structure and finance. The Company has independent and comprehensive business operations and management capabilities.

IV. THE ESTABLISHMENT AND IMPLEMENTATION OF THE STAFF SALARY SYSTEM, PERFORMANCE APPRAISAL AND INCENTIVE MECHANISM

The Company carried out comprehensive assessment and evaluation for employee personnel ranked above the assistant general manager of the department during the term of 2019-2021. Through the departmental appraisal and multi-dimensional assessment, the Company comprehensively evaluated employee performance and individual contribution to department and then, based on the appraisal results, the Company implemented targeted incentives for senior managers and established an effective incentive mechanism that is favorable to hardworking employees.

In 2018, the Company launched the A share option incentive scheme (the "**Incentive Scheme**"). Pursuant to the authorization granted by Shareholders, the Board approved the grant of 35,460,000 Share options to 133 participants (including senior management) on 27 December 2018. In 2021, the Company kept adjusting the Incentive Scheme according to the actual situation. In addition, the Company started to design the 2nd incentive scheme with a scientific range of participants, therefore, to continuously improve the effectiveness of such scheme in the long run.

The Company evaluates the remuneration of employees according to operating revenue, profitability and safety management situation, continuously optimizing the salary distribution system which combines occupational salary and performance wage. The segments of remuneration include occupational salary, monthly performance wage, various allowances and overtime pay. Among them, occupational salary reflects the duties and monthly performance wage reflects the labor contribution. In 2021, approved by the Board of Directors, the Company formulated and issued the Administrative Measures for the Total Remuneration of the Company（《中遠海運能源運輸股份有限公司工資總額管理辦法》). The Company views operating appraisal and economic performance as key factors for remuneration distribution, thus forms a positive correlation between remuneration and operating performance. Additionally, in order to strengthen performance assessment, the Company formulated and issued the Administrative Measures for Employee Performance Assessment of the Company（《中遠海運能源運輸股份有限公司員工績效考核管理辦法》). The Company implements quarterly performance assessment, annual comprehensive assessment with full coverage of all employees. The bonus is related to the performance assessment, which creates reasonable personal wage gap among employees and departments. The annual assessment highlights personal performance and influences the remuneration distribution and reputation rewards. It combines multi-dimensional assessment and carries out the term assessment. The assessment results further categorized and classified as basically competent, competent and excellent, so as to give full play to the incentivising and binding effect of the distribution system.

V. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

The Board is committed to the principles of corporate governance for a transparent, responsible and value-driven management that is focused on enhancing Shareholders' value.

In the opinion of the Directors, the Company has complied with the Code Provisions set out in the Corporate Governance Code (the "**Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Reporting Period.

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. To ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2021, the Company held 3 general meetings. The table on page 45 of this annual report shows the attendance of the Directors at the general meetings. At the 2021 AGM, 12 resolutions were passed, among which the 2020 annual report, the 2020 audited financial statements, the shareholders' return plan (2020-2022), the proposed distribution of the 2020 final dividend, the remuneration domestic and proposal of the Directors and the Company's supervisors (the "**Supervisors**") for 2021, the 2020 report of the Supervisory Committee, and the re-appointment of domestic and international auditors of the Company for 2021 were adopted.

According to the Articles, Shareholders individually or jointly holding more than 10% of the shares with voting rights at the extraordinary general meeting or class general meeting to be convened may sign one or more written requests with the same format and contents to propose to the Board to the convening of an extraordinary general meeting or class general meeting, and specify the topics thereof.

The Board is grateful to Shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company (the "**Company Secretary**") at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.

The registered Shareholders are entitled to putting forward a proposal at a general meeting if shareholder(s) individually or jointly holding more than 3% of the equity of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of the proposal and announce the contents thereof.

3. The Board

(1) The responsibility of the Board

The Board is elected in the Shareholders' meeting and is responsible to the shareholders' meeting.

The Board carries out actions in relation to corporate governance in a conscientious and responsible manner. During the Reporting Period, the Board also performed the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Company elects its Directors in strict compliance with the procedures for election of Directors as set out in the Articles. Each Director shall act in the interests of the Shareholders, and shall use his best endeavours to perform his duties and obligations as a Director in accordance with all the applicable laws and regulations. Duties of the Board include decision-making of the Company's investment scheme and business plan, preparation of the Company's profit distribution and loss recovery proposals, formulation of the Company's capital operation proposal and implementation of resolutions approved at general meetings.

The Board is responsible for leading and controlling the Company as well as supervising the operations, strategic policy and performance of the Group. The Board also delegates its power and responsibilities to the management of the Group. In addition, the Board delegates responsibilities to professional committees under the Board. Details of those committees are set out in this report.

(2) Composition of the Board

According to the Articles, all Directors (including independent non-executive Directors) are elected by the general meeting of Shareholders with a term of three years. Directors may be re-elected upon the expiration of their terms. The terms of the independent non-executive Directors shall be the same with the other Directors, i.e. for three years but not exceeding six years.

The Directors during the Reporting Period were:

Executive Directors:	
Mr. Liu Hanbo (劉漢波)	(Resigned on 5 August 2021[1])
Mr. Ren Yongqiang (任永強)	(Appointed on 5 August 2021[2])
Mr. Zhu Maijin (朱邁進)	
Non-executive Directors:	
Mr. Zhang Qinghai (張清海)	
Mr. Liu Zhusheng (劉竹聲)	
Independent non-executive Directors:	
Mr. Rui Meng (芮萌)	(Resigned on 30 June 2021[3])
Mr. Teo Siong Seng (張松聲)	
Mr. Victor Huang (黃偉德)	
Mr. Li Runsheng (李潤生)	
Mr. Zhao Jingsong (趙勁松)	
Mr. Wang Zuwen (王祖温)	(Appointed on 30 June 2021[4])

Notes:

1. Mr. Liu Hanbo (劉漢波) had tendered his resignation as executive Director and Chief Executive Director as he has reached the age of retirement, with effect from 5 August 2021 after the conclusion of the 2021 8th Broad Meeting.

2. At the first 2021 EGM, the appointment of Mr. Ren Yongqiang (任永強) as executive Director, was duly approved by Shareholders and took effect immediately after the conclusion of the first 2021 EGM. Mr. Ren Yongqiang (任永強) was elected as the chairman in the 2021 8th Broad Meeting.

3. Mr. Ruimeng (芮萌) had resigned as independent non-executive Director with effect immediately after the conclusion of the 2021 AGM.

4. At the 2021 AGM, the appointments of Mr. Wang Zuwen (王祖温), as independent non-executive Directors, was duly approved by Shareholders and took effect immediately after the conclusion of the 2021 AGM.

Members of the Board, including the Chairman and the chief executive officer (the "**CEO**") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive Directors. The biographies of all Directors are set out on pages 240 to 242 of this annual report and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board adopted the board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The nomination committee of the Company (the "**Nomination Committee**") monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

(3) The responsibility of Directors

The Board ensures that each newly appointed Director has proper understanding of the operations and businesses of the Group and is fully aware of his/her responsibilities under the relevant rules and regulations and the common law, the Listing Rules, applicable statutory requirements and other regulatory requirements and the business and governance policy of the Company. Directors should closely follow the changes in legislations and compliance, operations and markets as well as the strategic development of the Group and be continuously updated about the relevant knowledge so as to perform their duties. Independent non-executive Directors play an active role in Board meetings and can make contribution to the formulation of strategies and policies and make reliable judgement on strategy, policy, performance, accountability, resources, major appointment and code of conduct. They also serve as members of various Board committees to monitor the overall performance of the Group in achieving pre-determined corporate objectives and benchmarks and preparing reports on such performance.

4. Performance of Independent Non-executive Directors' Duties

The Company has adopted the rules and procedures on independent non-executive Directors' work. In 2021, the Company had five independent non-executive Directors exceeding one-third of the total number of Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of accounting, law and corporate management, respectively. Mr. Victor Huang, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Victor Huang, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this annual report. The five independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance with the Articles and the relevant requirements under the applicable laws and regulations.

In 2021, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive Directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision-making process of the Board. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive Directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

The Company has received confirmation from each of the independent non-executive Directors about their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors are completely independent of the Company, its substantial Shareholders and its affiliates and comply fully with the requirements concerning the independent non-executive Directors under the Listing Rules.

5. Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions in accordance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the Reporting Period.

6. Board Meetings

In the Reporting Period, the Board convened a total of 16 meetings and considered and passed 52 Board resolutions so as to review the financial and operating performance of the Group. The Chairman also held meetings with the independent non-executive Directors without the presence of other Directors. The following table shows the attendance of the Directors at the Board meetings and general meetings.

		Rate of attendance for Board meeting	Rate of attendance for general meeting
Executive Directors:			
Mr. Liu Hanbo (劉漢波) (Chairman)	(Resigned on 5 August 2021)	7/7	1/1
Mr. Ren Yongqiang (任永强) (Chairman)	(Appointed on 5 August 2021)	9/9	2/2
Mr. Zhu Maijin (朱邁進) (CEO)		16/16	3/3
Non-executive Directors:			
Mr. Zhang Qinghai (張清海)		16/16	3/3
Mr. Liu Zhusheng (劉竹聲)		16/16	3/3
Independent non-executive Directors:			
Mr. Rui Meng (芮萌)	(Resigned on 30 June 2021)	5/5	0/0
Mr. Teo Siong Seng (張松聲)		16/16	3/3
Mr. Victor Huang (黃偉德)		16/16	3/3
Mr. Li Runsheng (李潤生)		16/16	3/3
Mr. Zhao Jingsong (趙勁松)		16/16	3/3
Mr. Wang Zuwen (王祖溫)	(Appointed on 30 June 2021)	11/11	3/3

Minutes of all meetings are recorded by a designated officer of the Company, and all proposals and resolutions reviewed and approved in each meeting are filed in accordance with relevant laws, regulations and the Articles.

7. Chairman and CEO

The positions of the Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgment views. The Board has appointed Mr. Ren Yongqiang as the Chairman. The Chairman is responsible for execution and leading the Board so that the Board can operate and perform its duties effectively and handle all important and appropriate issues in a timely manner. Mr. Zhu Maijin, being the CEO and an executive Director, is responsible for executing the business policy and decisions on management and operations of the Group.

8. The Professional Committees of the Board

In compliance with the Code Provisions set out in the Code in Appendix 14 of the Listing Rules, the Company has established five professional committees under the Board, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee, the Nomination Committee and the Risk Control Committee.

(1) Audit Committee

The Audit Committee comprised 3 independent non-executive Directors as at 31 December 2021 with Mr. Victor Huang being the Chairman. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least four meetings of the Audit Committee are convened annually to review the accounting policies and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2021, the Audit Committee held 7 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows the attendance of members of the Audit Committee during the Reporting Period:

Members of the Audit Committee	**Rate of attendance**
Mr. Victor Huang (黃偉德) (Chairman)	7/7
Mr. Rui Meng (芮萌)	3/3
Mr. Teo Siong Seng (張松聲)	7/7
Mr. Wang Zuwen (王祖温)	4/4

Due to the expiration of his term as an independent non-executive Director, Mr. Rui Meng retired as a member of the Audit Committee, effective from the conclusion of the 2021 AGM; and independent non-executive Director Mr. Wang Zuwen was appointed as a member of the Audit Committee, effective from the date of approval by the Board.

The following are the work reports prepared by the Audit Committee in respect of the performance of its responsibilities relating to the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code during the Reporting Period.

The Audit Committee has considered the 2020 operational and financial report of the Company, the 2020 audit report of the Company, the report on 2020 internal audit work review and 2021 work plan, the 2021 interim operational and financial report of the Company, the 2021 interim management communication report and 2021 interim financial documents of the Company. The Audit Committee considered the proposals in respect of the provision for asset impairment on part of aged foreign trade vessels, 2020 Duties report of the Audit Committee, the appointment of 2021 domestic and international audit institutions, the 2021 first quarterly report of the Company, the changes on accounting estimates, the 2021 third quarterly report of the Company, Continuous Connected Transaction Agreements with China COSCO SHIPPING Group and applying for 2022-2024 annual cap, and the auditing plan of the domestic and international financial reports of 2021.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2021, the Audit Committee held 2 meetings with the external auditors. The Audit Committee reviews the quarterly results, interim and annual reports before submitting the results to the Board. When reviewing the quarterly results, interim and annual reports, the Audit Committee not only pays attention to changes in the accounting policies and practices but also complies with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

(2) Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee comprised 3 members, all being independent non-executive Directors with Mr. Li Runsheng being the Chairman. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the terms of reference referred to in the Code are as follows:

(a) make recommendations on the remuneration of executive Directors and senior management of the Company to seek approval from the Board and the Shareholders' meeting; and

(b) consider the remuneration package of Directors and senior management and make recommendations on salaries and bonuses, including incentives.

In 2021, the Remuneration and Appraisal Committee held 4 meetings, and all members attended the meetings. In the meetings, the Remuneration and Appraisal Committee reviewed the 2020 remuneration of the management and the practice of 2020 annual work plan, which are the basis of 2020 remuneration policy of the management. The Remuneration and Appraisal Committee gave advice on the 2021 remuneration policy of the directors and supervisors. It also provided professional opinions on the Incentive Scheme, implemented the proposal, documents and signed instruments of the tenure and contract management system based on the requirements of the three-year action plan for SOE reform, and reviewed the measures for the management of total wage.

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the Reporting Period:

Members of the Remuneration and Appraisal Committee	**Rate of attendance**
Mr. Li Runsheng (李潤生) (Chairman)	4/4
Mr. Rui Meng (芮萌)	1/1
Mr. Teo Siong Seng (張松聲)	4/4
Mr. Wang Zuwen (王祖溫)	3/3

Due to the expiration of his term as an independent non-executive Director, Mr. Rui Meng retired as a member of the Remuneration and Appraisal Committee, effective from the conclusion of the 2021 AGM. Independent non-executive Director Mr. Wang Zuwen was appointed as a member of the Remuneration and Appraisal Committee, effective from the date of approval by the Board.

(3) Strategy Committee

The duties of the Strategy Committee mainly include review and evaluation of the Company's long- term development strategy, significant investment projects, financial budget and strategic plan of investment returns and submit its advice to the Board. As at the end of the Reporting Period, The Strategy Committee consisted of 7 Directors, including 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. Mr. Ren Yongqiang was the Chairman. Independent non-executive Directors, namely Mr. Teo Siong Seng, Mr. Li Runsheng and Mr. Zhao Jingsong with extensive professional knowledge and work experience in shipping, finance, petrochemicals and maritime law proactively proposed and opined for the Company's healthy and long- term development by playing the role of think-tank and advisers.

During 2021, the Strategy Committee held two meetings, reviewing the 2020 CSR Report of the Company and the 14th Five Year Plan of the Company. The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

Members of the Strategy Committee	**Rate of attendance**
Executive Directors:	
Mr. Liu Hanbo (劉漢波) (Chairman)	1/1
Mr. Ren Yongqiang (任永强) (Chairman)	1/1
Mr. Zhu Maijin (朱邁進)	2/2
Non-executive Directors:	
Mr. Zhang Qinghai (張清海)	2/2
Mr. Liu Zhusheng (劉竹聲)	2/2
Independent non-executive Directors:	
Mr. Rui Meng (芮萌)	1/1
Mr. Teo Siong Seng (張松聲)	2/2
Mr. Li Runsheng (李潤生)	2/2
Mr. Zhao Jingsong (趙勁松)	2/2

As Mr. Liu Hanbo had reached the age of retirement, he resigned as the chairman of the Strategy Committee, effect from 5 August 2021. As his term of office as an independent non-executive Director expired, Mr. Rui Meng retired as a member of the Strategy Committee, effective from the conclusion of the 2021 AGM. Executive Director Mr. Ren Yongqiang was appointed as chairman of the Strategy Committee, effective from the date of approval by the Board.

(4) Nomination Committee

Pursuant to the Articles, election and replacement of Directors shall be proposed to the Shareholders' general meeting for approval. Shareholders whose shareholding represents 3% or more of the voting shares of the Company are entitled to make such proposal and request the Board to authorise the Chairman to consolidate a list of Director candidates nominated by the Shareholders who are entitled to make a proposal. As authorised by the Board, the Chairman shall consolidate a list of Director candidates and order the Secretariat of the Board together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Articles, the Company is required to give notice of the Shareholders' meeting to Shareholders in writing 20 days in advance and dispatch a circular to the Shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the candidates for directorship must be set out in a circular to the Shareholders to facilitate voting by Shareholders. The new Directors must be approved by more than half of the total voting shares held by the Shareholders present in person or by proxy at the Shareholders' general meeting.

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. When the Nomination Committee considers it appropriate, it invites nominations of candidates from Board members or any person and makes recommendations for the Board's consideration and approval.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including without limitation the following:

(a) reputation for integrity;
(b) experience in shipping industry and/or business strategy, management, legal and financial aspects;
(c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;
(d) the perspectives and skills that the proposed candidate is expected to bring to the Board;
(e) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
(f) commitment in respect of available time and relevant interest; and
(g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

During the Reporting Period, the Nomination Committee of the Company consisted of 3 Directors, all being independent non-executive Directors. Due to the expiration of his term as independent non-executive Director, Mr. Rui Meng retired as chairman of the Nomination Committee, effective from the conclusion of the 2021 AGM. Independent non-executive Director Mr. Wang Zuwen was appointed as chairman of the Nomination Committee, effective from the date of approval by the Board.

In 2021, the Nomination Committee convened 4 meetings to consider the issues of the recommendation of the 10th members of the Board of the Company, the appointment of the secretary of the Board of the Company, the appointment of executive director of the Company and the appointment of chief financial officer of the Company, and submitted relevant proposals to the Board for approval.

The following table shows the attendance of members of the Nomination Committee during the Reporting Period:

Members of the Nomination Committee	**Rate of attendance**
Mr. Rui Meng (芮萌) (Chairman)	2/2
Mr. Wang Zuwen (王祖温) (Chairman)	2/2
Mr. Victor Huang (黃偉德)	4/4
Mr. Li Runsheng (李潤生)	4/4

(5) Risk Control Committee

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

The Risk Control Committee held 3 meetings in 2021 and mainly amended the Company's Sanctions Compliance Manual and considered the "Proposal on the Report on the Company's Internal Control and Risk Management in 2020", the "Proposal on the Company's Safety Work Report in 2021", the "Proposal on the Company's Legal Work Report in 2021", and the "Proposal on the Company's Compliance Management".

Members of the Risk Control Committee	**Rate of attendance**
Mr. Zhao Jinsong (趙勁松) (Chairman)	3/3
Mr. Liu Hanbo (劉漢波)	1/1
Mr. Ren Yongqiang (任永强)	2/2
Mr. Rui Meng (芮萌)	1/1
Mr. Wang Zuwen (王祖温)	2/2

As Mr. Liu Hanbo had reached the age of retirement, he resigned as a member of the Risk Control Committee, effective from 5 August 2021. Due to the expiration of his term as an independent non-executive Director, Mr. Rui Meng retired as a member of the Risk Control Committee, effective from the conclusion of the 2021 AGM. Executive director and Chairman of the Board Mr. Ren Yongqiang and independent non-executive director Wang Zuwen were appointed as the member of the Risk Control Committee, effective from the date of approval by the Board.

9. Accountability and Audit

Financial Reporting

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim financial information and annual consolidated financial statements that give a true and fair view of the Group's affairs and its consolidated financial performance and its consolidated cash flows in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("**Hong Kong Companies Ordinance**"). In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to Shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgements and estimates made by management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditors and management, and then submitted to the Audit Committee for review.

Management provides relevant explanations and information to the Board so that the Board can make informed assessments on the financial and other information submitted to it for approval.

The Board has confirmed its responsibility for preparing financial reports that can reflect the consolidated financial position of the Group in a true and fair way for each financial year. When submitting quarterly results, interim financial information and annual consolidated financial statements and announcement to Shareholders, Directors shall strive to submit a balanced and easily comprehensible assessment on the present conditions and prospects of the Group.

The Board is not aware of any material uncertainties on events or conditions which cast significant doubt on the sustained operating capability of the Group. Therefore, the Board will continue to adopt the sustained operating basis in preparation of the consolidated financial statements.

The Board has confirmed its responsibility for providing balanced, clear and easily comprehensible assessments in the Company's annual reports and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules and reporting to the regulatory bodies.

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2021. ShineWing Certified Public Accountants LLP ("**ShineWing**") and PricewaterhouseCoopers, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditor's reports on the consolidated financial statements for the year ended 31 December 2021.

Reappointment of Auditors

By a resolution passed at the annual general meeting of the Company held on 30 June 2021, the Company has reappointed ShineWing as its domestic auditor, and PricewaterhouseCoopers as its international auditor, in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China and the Ministry of Finance of the People's Republic of China.

External Auditors and Their Remuneration

The external auditors provide an objective assessment of the financial information presented by management, and is considered one of the essential elements to ensure effective corporate governance. The Company reappointed ShineWing as the 2021 domestic audit institution, and reappointed PricewaterhouseCoopers as the overseas audit institution. The review/audit scope was basically consistent with that of 2020. The 2021 AGM approved ShineWing's 2021 annual review/audit expenses of RMB2.61 million, and PricewaterhouseCoopers of RMB3.15 million. The total cost was RMB5.76 million (including tax and travel expenses).

In addition, the Group paid Pricewaterhouse Coopers a non-audit fee of RMB1,319,000 in 2021 and paid ShineWing a non-audit fee of RMB397,000.

The external auditors of the Company have not been changed in the past three years.

Internal Control and Risk Management

The Board is responsible for maintaining an adequate system of internal control and risk management and reviewing its effectiveness. The internal control and risk management system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. Further, the internal control and risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss.

During the year, the Audit Committee, as delegated by the Board, has reviewed the adequacy and effectiveness of the Group's internal controls, risk management and internal audit function, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets.

The Company considers the risk management and internal control system effective and adequate during the Reporting Period.

Internal Audit

The Group has continued to engage the Internal Audit Department to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. The internal audit department has unrestricted access to all parts of the business and direct access to any level of management including the chairman of the Company and the chairman of the Audit Committee as it considers necessary. It submits regular reports for the Audit Committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions.

Inside Information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules and has established the inside information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

10. Delegation by the Board

Management is authorised to carry out daily management of the Company. Department heads are responsible for various aspects of the operations. The major corporate matters delegated by the Board to management include the preparation of quarterly results, interim and annual reports and announcements (for approval by the Board before publication), the execution of business strategies and measures adopted by the Board, the implementation of the internal control system and risk management procedure and compliance with relevant statutory requirements, rules and regulations.

11. Directors' and Company Secretary's Continuing Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

A summary of training received by the Directors since 1 January 2021 up to 31 December 2021 is as follows:

Directors	Continuous Professional Development Programme
Executive Directors:	
Mr. Liu Hanbo (劉漢波) (Chairman)	A, B
Mr. Renyongqiang (任永强) (Chairman)	C
Mr. Zhu Maijin (朱邁進) (Chief Executive Officer)	A, B
Non-executive Directors:	
Mr. Zhang Qinghai (張清海)	A, B
Mr. Liu Zhusheng (劉竹聲)	A, B
Independent non-executive Directors:	
Mr. Rui Meng (芮萌)	A, B
Mr. Teo Siong Seng (張松聲)	A, B
Mr. Victor Huang (黃偉德)	A, B, D
Mr. Li Runsheng (李潤生)	A, B, D
Mr. Zhao Jingsong (趙勁松)	A, B, D
Mr. Wang Zuwen (王祖温)	B, C

Notes:

A: Literally learning the materials from Shanghai Stock Exchange regarding the Amendment on the Criminal Law

B: video training for Directors provided by State-owned Assets Supervision and Administration Commission of the State Council:

C: New director training provided by A-share/H-share compliance lawyers

D: Subsequent training for independent directors arranged by Shanghai Stock Exchange

In 2021, the Company Secretary took no less than 15 hours of relevant professional training in compliance with with Rule 3.29 of the Listing Rules.

12. Supervisory Committee

At the end of the Reporting Period, the Supervisory Committee consisted of 4 members, of whom two Supervisors were elected from the staff as representatives of the employees of the Company. The Supervisors during 2021 were:

Mr. Weng Yi (翁羿) (Chairman)
Mr. Yang Lei (楊磊)
Mr. Xu Yifei (徐 一 飛) (Representative of the employees)
Ms. An Zhijuan (安志娟) (Representative of the employees, resigned on 30 June 2021)
Mr. Zeng Xiangfeng (曾向峰) (Representative of the employees, appointed on 1 July 2021)

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2021, the Supervisory Committee convened 8 meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2021, the Supervisory Committee has complied with the principle of credibility to proactively perform their functions. For the details, please refer to the section headed "REPORT OF THE SUPERVISORY COMMITTEE" in this annual report.

13. Dividend Policy

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including the Company and the Group's actual and expected financial performance, general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and the Company's future expansion plan.

As at the date of this report, the Company was not aware that any Shareholder had waived or agreed to waive any dividends of the Company.

14. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness and timely disclosure of information. The Company has established a designated department for investor relations, which is responsible for the matters concerning investor relations and has formulated the "Investor Relations Management Measures" to regulate the relations with the investors. Through various approaches and channels such as organising results presentation, roadshow, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquiries in respect of the Company, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community may at any time make enquiry in respect of the Company in writing at the Company's head office in the PRC by post, facsimile or email via the numbers and email address provided on the Company's website. Shareholders may direct enquiries about their shareholdings to the Company's Share Registrars.

In order to further improve the information disclosure management system, to enhance the quality of annual report disclosure and transparency of the Company, the Company has, in accordance with relevant state laws and regulations, regulatory documents and the Articles, formulated the "Annual Report Disclosure of Major Accountability System for China Shipping Development". Accordingly, if there are significant errors in information disclosure of annual report, the person concerned should be held accountable and make the appropriate treatment.

15. Amendments to the Articles of Association

During the Reporting Period, the Articles of Association of the Company has no material amendments, text of which are available on the websites of the Company and the Stock Exchange.

The Board hereby presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company's principal activities consist of investment holding, and/or oil shipment along the coast of the PRC and internationally, and/or vessel chartering.

The principal activities of the principal subsidiaries of the Company, associates and joint ventures of the Group are oil shipment, LNG shipment, international chemical shipment, vessel chartering and banking and related financial services.

SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated as appropriate, is set out below.

	For the year ended 31 December				
	2021	2020	2019	2018	2017 (Restated)
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**12,644,700**	16,268,197	13,721,140	12,099,685	9,504,935
Operating costs	**(16,734,169)**	(12,386,553)	(11,125,022)	(10,304,074)	(7,251,227)
Gross profit	**(4,089,469)**	3,881,644	2,596,118	1,795,611	2,253,708
Other income and net gains	**403,695**	12,100	146,480	221,919	878,734
Marketing expenses	**(50,335)**	(56,192)	(49,296)	(22,805)	(29,206)
Administrative expenses	**(905,495)**	(811,088)	(876,990)	(748,155)	(633,986)
Net impairment (losses)/gains on financial and contract assets	**33,777**	5,508	(3,208)	(22,183)	–
Other expenses	**(61,824)**	(25,925)	(106,381)	(31,761)	(53,781)
Share of profits of associates	**254,727**	247,150	287,807	276,245	266,902
Share of profits of joint ventures	**714,288**	690,558	427,085	231,906	151,591
Finance costs	**(826,672)**	(1,039,721)	(1,419,627)	(1,287,714)	(778,949)
(Loss)/profit before tax	**(4,527,308)**	2,904,034	1,001,988	413,063	2,055,013
Income tax expense	**(139,800)**	(272,590)	(330,384)	(119,657)	(161,644)
(Loss)/profit for the year from continuing operations	**(4,667,108)**	2,631,444	671,604	293,406	1,893,369
Discontinued operation					
Profit for the year from discontinued operation, net of tax	**–**	–	–	–	–
(Loss)/profit for the year	**(4,667,108)**	2,631,444	671,604	293,406	1,893,369
(Loss)/profit for the year attributable to:					
Owners of the Company	**(4,985,386)**	2,381,415	413,857	74,679	1,774,648
Non-controlling interests	**318,278**	250,029	257,747	218,727	118,721
	(4,667,108)	2,631,444	671,604	293,406	1,893,369
Earnings per share	**RMB cents**	RMB cents	RMB cents	RMB cents	RMB cents
Basic	**(104.68)**	52.00	10.26	1.85	44.01
Diluted	**(104.68)**	51.96	10.26	1.85	44.01

	At 31 December				
	2021	2020	2019	2018	2017 (Restated)
Assets, liabilities and non-controlling interests	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**59,388,937**	65,959,857	65,841,861	63,416,267	60,388,872
Total liabilities and non-controlling interests	**(30,797,891)**	(31,338,029)	(37,717,126)	(35,224,647)	(32,465,629)
Equity attributable to owners of the Company	**28,591,046**	34,621,828	28,124,735	28,191,620	27,923,243

This summary does not form part of the audited consolidated financial statements.

Notes:

1. The consolidated results of the Group for the years ended 31 December 2017 are extracted from the Company's 2018 annual report, the consolidated results of the Group for the years ended 31 December 2018 are extracted from the Company's 2019 annual report, the consolidated results of the Group for the years ended 31 December 2019 are extracted from the Company's 2020 annual report, while those for the years ended 31 December 2021 and 2020 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 115 and 116 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2017 were extracted from the Company's 2018 annual report, the consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2018 were extracted from the Company's 2019 annual report, and those as at 31 December 2019 were extracted from the Company's 2020 annual report, while those as at 31 December 2021 and 2020 were prepared based on the consolidated statement of financial position as set out on pages 117, 118 and 119 of the consolidated financial statements.

3. The calculation of basic earnings per share for the year ended 31 December 2021 is based on the loss attributable to owners of the Company for that year of RMB4,985,386,000 and weighted average number of 4,762,692,000 ordinary shares.

4. The calculation of basic earnings per share for the year ended 31 December 2020 is based on the profit attributable to owners of the Company for that year of RMB2,381,415,000 and weighted average number of 4,580,027,000 ordinary shares.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 115 to 119.

No net profit has been transferred to the statutory surplus reserve as the Company incurred loss after tax for 2021.

According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under Accounting Standards for Business Enterprises in the PRC (the "**CAS**") and the amount determined under HKFRS.

The Board do not recommend any payment of dividend in respect of the year ended 31 December 2021.

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the Report of the Directors. According to Schedule 5 to the Hong Kong Companies Ordinance, a business review shall cover certain aspects, the details of which are as follows:

A fair review of the Company's business

Please refer to the section of "ANALYSIS OF THE ENERGY TRANSPORTATION MARKET DURING THE REPORTING PERIOD" and "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on Pages 7 to 14 of this annual report.

A description of the principal risks and uncertainties facing the Company

(1) The risk of macroeconomic fluctuations

The shipping of energy products, such as oil and LNG, operated by the Group is more prone to macroeconomic fluctuations. When the macro-economy is booming, the demand for energy products will increase rapidly, which will lead to the increment of the shipping demand for these products. On the contrary, when the macro-economy is in recession, the shipping demand for the aforesaid products will be affected inevitably. In addition, geopolitical events, natural disasters and accidents may possibly cause fluctuations in the shipping industry.

(2) The risk of international economy and politics

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

(3) Risk of change in energy structure

Globally, the dual replacement process of substituting oil and gas for coal and non-fossil energy for fossil energy will continue to accelerate, and the transition to clean and low-carbon energy will continue. All of these will have a profound impact on the changes in energy transportation demand and bring challenges to the Company's business planning and business layout.

(4) The risk of competition from other modes of transportation

Shipping boasts the advantages of large capacity and low price, serving as a major mode of transportation for commodities, particularly for cargoes such as petroleum, coal and iron ore. But other modes of transportation still pose some threat to shipping. For example, the establishment of crude oil pipelines and deep water terminals at coastal ports of the PRC will reduce the demand for transshipment of crude oil. Therefore, although China has secured cruel oil import growth in recent years, the volume of transshipments of crude oil, due to the above factors, failed to increase in proportion to the import volume of crude oil.

(5) The risk of freight rate fluctuations

Freight rate is one of the core factors that determine the Group's profitability level, whose fluctuations will cause uncertainties to the Group's benefits. By the adoption of measures, such as signing COAs with large petroleum enterprises to increase the proportion of domestic oil shipping or establishing joint ventures to offset the fluctuations of freight rates, the Group is able to avoid the risks brought by volatility in shipping market freight rates to a certain extent. However, freight rate fluctuations still exert a relatively huge impact on the Group's business activities.

(6) The risk of fuel price fluctuations

The costs of principal operations of the Group mainly include, among other things, fuel costs, port charges, depreciation charges and crew expenses, of which fuel costs account for the largest proportion. In recent years, with greater crude oil price fluctuations in the international market, prices of bunker oil rendered more volatility, together with increasing revision and enhancement in new domestic and international requirements of vessel discharge; those would pose greater impact on the fuel costs of the Group. Therefore, future fluctuations in fuel prices will have considerable influence on the costs of principal operations and profitability level of the Group.

In recent years, the Group has reduced fuel consumption through various methods, including promoting the extensive utilisation of vessel energy-saving technology and adopting economic shipping speed, and has reduced the fuel purchasing costs by enhancing fuel purchase and supply management, adopting diversified purchasing methods and responding timely to new conditions in the fuel market. Although the above measures may offset some impact brought by fuel price fluctuations, they are still unable to fully cover the risk of such fluctuations.

(7) The risk of safety in shipping

Ships may encounter various types of accidents, such as running aground, fire, collision, sinking, pirate, environmental incidents, in the course of shipping at sea, as well as the possibility of bad weather and natural disaster, these will cause losses to the vessels and the cargoes carried on board. The Group may face the risks of litigation and compensation as a consequence, the vessels and cargoes may also be seized as a result. Among these, the level of hazard caused by oil leakage leading to environmental pollution is particularly severe. Once an oil leakage has occurred causing pollution, the Group will face the risk of compensation in huge amount, which will have considerable impact on, among other things, the Group's reputation and normal operation. The Group has purchased insurance actively to control risk as far as possible, but insurance compensation will still be unable to fully cover the possible losses resulting from the above-stated risks.

Moreover, events such as changes in international relations, regional conflicts, wars and terrorist attacks may also have impact on the safety of shipping and normal operations of vessels. In recent years, pirate activities have been unusually frequent, pirate problems in the Somali seas have become a focus of global concern, and pirates pose a material danger to the safety of shipping. Although the Group has adopted various types of preventive measures against pirates, nevertheless pirates still pose material risks to endanger the shipping industry.

Particulars of important events affecting the Company that have occurred since the end of the Reporting Period

None

An indication of likely development in the Company's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2022" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 28 to 33 of this annual report.

An analysis using financial key performance indicators

Revenue

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 10 to 14 of this annual report.

Costs and expenses

Please refer to the section of "COSTS AND EXPENSES ANALYSIS" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on page 15 of this annual report.

Other income and net gains

Other income and net gains of the Group resulted from the continuing operations of the year was approximately RMB404 million (2020:RMB12 million).

Share of profits of associates and joint ventures

Please refer to the section of "OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on page 16 of this annual report.

Income tax

Income tax of the Group resulted from the continuing operations of the year in 2021 was RMB140 million (2020: RMB273 million).

The Company's environmental policies and performance

The shipping industry shoulders important responsibilities of global logistics. Nevertheless, the pollutant discharge during navigation still poses a threat to marine environment. As a large shipping company, the Group adheres to the concept of "being an excellent marine citizen", keeps strengthening the environmental management system, advances the development of larger-scale, large, young and low-carbon fleet, reduces its impacts on the environment with improvement in the management and technology upgrading and pursues green, circular, low-carbon and sustainable development. The Group takes targeted measures including practicing low-speed navigation, reducing pollutant discharges and saving water to increase the efficiency of resource usage as much as possible and to reduce the environmental impact of ships during navigation.

Compliance with relevant laws and regulations with a significant impact on the Company

During the Reporting Period, the Group was in compliance with relevant laws and regulations that have a significant impact on the Group.

Key relationships with employees, customers, suppliers and others

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

CHARITABLE DONATIONS

The Group made a donation of approximately RMB20.0 million during 2021 (2020: RMB8.5 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

According to the Articles, the existing Shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, as determined based on the lower of the amount determined under SAC and the amount determined under HKFRS, amounted to RMB6,434,801,000 before the proposed final dividend.

In addition, according to the Company Law of the PRC, an amount of approximately RMB12,096,429,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalization issues.

BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS

During the Reporting Period, the five largest customers of the Group combined accounted for 63.98% of the Group's total turnover. The largest customer is China National Petroleum Corporation ("中國石油天然氣集團有限公司") and the sales to it accounted for 22.12% (in the year of 2020: China National Petroleum Corporation ("中國石油天然氣集團有限公司") was the largest customer of the Group and represented a sales percentage of 26.29%) (note: customers who are under the control of the same controller have been treated as one customer). None of the Directors, Supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

During the Reporting Period, the five largest suppliers of materials and services to the Group combined accounted for 78.16% of the Group's total purchases. The largest supplier is COSCO SHIPPING, and the purchases from it accounted for 62.88% (in the year of 2020: COSCO SHIPPING was the largest supplier of the Group and representing a supply proportion of 47.80%) (note: suppliers who are under the control of the same supplier have been treated as one supplier). Except as mentioned above, none of the Directors, Supervisors, their close associates, or any Shareholders, who, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

Executive Directors:

Mr. Liu Hanbo (劉漢波) (Resigned on 5 August 2021[1])
Mr. Ren Yongqiang(任永強) (Appointed on 5 August 2021[2])
Mr. Zhu Maijin (朱邁進)

Non-executive Directors:

Mr. Zhang Qinghai (張清海)
Mr. Liu Zhusheng (劉竹聲)

Independent non-executive Directors:

Mr. Rui Meng (芮萌)[3] (Resigned on 30 June 2021)
Mr. Teo Siong Seng (張松聲)
Mr. Victor Huang (黃偉德)
Mr. Li Runsheng (李潤生)
Mr. Zhao Jingsong (趙勁松)
Mr. Wang Zuwen (王祖温) (Appointed on 30 June 2021)

Supervisors:

Mr. Weng Yi (翁羿)
Mr. Yang Lei (楊磊)
Mr. Xu Yifei (徐一飛)
Ms. An Zhijuan (安志娟) (Resigned on 30 June 2021)
Mr. Zeng Xiangfeng (曾向峰) (Appointed on 1 July 2021)

Pursuant to the Articles, all the Directors are appointed for a term of three years.

The Company has received annual confirmations of independence from Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jingsong and Mr.Wang Zuwen as at the date of this report and still considers them to be independent.

Notes:

1. Mr. Liu Hanbo (劉漢波) had tendered his resignation as executive Director and Chief Executive Officer as he has reached the age of retirement, with effect from 5 August 2021 after the conclusion of the 2021 8th Board Meeting.

2. At the first 2021 EGM, the appointment of Mr. Ren Yongqiang (任永強) as executive Director, was duly approved by Shareholders and took effect immediately after the conclusion of the first 2021 EGM. Mr. Ren Yongqiang (任永強) was elected as the chairman in the 2021 8th Board Meeting.

3. Mr. Rui Meng (芮萌) had resigned as independent non-executive Director with effect immediately after the conclusion of the 2021 AGM.

4. At the 2021 AGM, the appointments of Mr. Wang Zuwen (王祖温), as independent non-executive Directors, was duly approved by Shareholders and took effect immediately after the conclusion of the 2021 AGM.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors and the senior management of the Group are set out on pages 240 to 244 of this annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company, which will expire on 29 June 2024 (or the date of the Company's annual general meeting in 2024, whichever is earlier) and is subject to termination by either party giving not less than three months' written notice.

No Director or Supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION BY BANDS

The emoluments paid or payable to the Directors, Supervisors and senior management during the Reporting Period fell within the following bands:

Remuneration by bands	Number of Directors	Number of Supervisors	Number of Senior Management
RMBnil to RMB500,000	8	2	–
RMB500,001 to RMB1,000,000	1	–	1
RMB1,000,001 to RMB1,500,000	–	–	1
RMB1,500,001 to RMB2,000,000	2	2	6
RMB2,000,001 to RMB2,500,000	–	1	–
RMB2,500,001 to RMB3,000,000	–	–	–
RMB3,000,001 and above	–	–	–

Certain members of senior management concurrently serve as executive Directors and Supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive Directors and Supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee is headed by Mr. Li Runsheng, an independent non-executive Director. The other two members of the Remuneration and Appraisal Committee are Mr. Wang Zuwen and Mr. Teo Siong Seng, both of whom being independent non-executive Directors. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the Code contained in Appendix 14 of the Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 42 to the consolidated financial statements, COSCO SHIPPING Group (excluding the Group) provided miscellaneous management and other services to the Group during the year for a total fee of RMB39,231,000 (2020: RMB20,896,000).

PERMITTED INDEMNITY PROVISIONS

No permitted indemnity provision is in force for the benefit of one or more Directors or Supervisors or the directors or supervisors of an associated company of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the 31 December 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[1]	Number of shares held[2]	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping Group Company Limited ("**China Shipping**") [3]	A	1,536,924,595 (L)	44.33%	32.27%
COSCO SHIPPING [3]	A	2,156,350,790 (L)	62.20%	45.28%
FIL Limited [4]	H	116,186,000 (L)	8.96%	2.44%
Pandanus Associates Inc.[5]	H	116,186,000 (L)	8.96%	2.44%
Pandanus Partners L.P.[6]	H	116,186,000 (L)	8.96%	2.44%
GIC Private Limited [7]	H	104,118,500 (L)	8.03%	2.19%
Prudential plc [8]	H	76,444,000 (L)	5.90%	1.61%
Brown Brothers Harriman & Co. [9]	H	65,869,470 (L)	5.08%	1.38%
		65,869,470 (P)	5.08%	1.38%

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

Note 2: As at 31 December 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. Therefore, COSCO SHIPPING (itself and through its subsidiaries) is interested in 2,156,350,790 shares in total.

Note 4: As at 31 December 2021, in accordance with the information disclosed to the Company by Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, FIL Limited owns H shares through a number of subsidiaries, of which 116,186,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 5: As at 31 December 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 116,186,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 6: As at 31 December 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 116,186,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 7: As at 31 December 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 8: As at 31 December 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 76,444,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 9: As at 31 December 2021, in accordance with the information disclosed to the Company by Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, Brown Brothers Harriman & Co. as approved lending agent holds the above- mentioned shares of the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in this report of the Directors (including but not limited to the connected transactions and continuing connected transactions stated below), as at 31 December 2021, none of the Directors or Supervisors, or an entity connected with a Director or a Supervisor, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party.

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

As at 31 December 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 Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

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

Name of Director	Nature of interest	Class of shares[(1)]	Number of shares held[(2)]	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Zhu Maijin ("**Mr. Zhu**")[(3)]	Beneficial owner	A	416,000 (L)	0.01200%	0.00873%
Zhao Jinsong	Beneficial owner	H	6,000(L)	0.00046%	0.00013%

Notes:

(1) A – A shares

H – H shares

(2) L – Long position

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

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

Name of associated corporation	Name of Director/ Supervisor	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Teo Siong Seng	Beneficial owner	H	146,250(L)	0.00436%	0.00091%
	Mr. Yang Lei	Beneficial owner	H	131,400(L)	0.00392%	0.00082%
		Interest of spouse[(4)]	H	2,000(L)	0.00006%	0.00001%
		Interest of spouse[(4)]	A	8,000(L)	0.00024%	0.00005%
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

(4) The 2,000 H shares and 8,000 A shares in COSCO SHIPPING Holdings Co., Ltd. are held by Ms. Song Jianfang, the spouse of Mr. Yang Lei. Accordingly, by virtue of the SFO, Mr. Yang Lei is also deemed to be interested in the 10,000 shares in COSCO SHIPPING Holdings Co., Ltd. held by his spouse.

As at 31 December 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 debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2021, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2021 are set out in note 39 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Details of those related party transactions which also constitute non-exempt connected transactions or continuing connected transactions of the Company are disclosed below, in compliance with Chapter 14A of the Listing Rules.

1. On 12 November 2018, the Company entered into the 2018 Financial Services Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING shall procure COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**"), a company controlled by COSCO SHIPPING, to provide the Group, subject to independent Shareholders' approval, with a range of financial services. The 2018 Financial Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 17 December 2018. Pursuant to the 2018 Financial Services Framework Agreement, COSCO SHIPPING Finance will provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by China Banking and Insurance Regulatory Commission ("**CBIRC**") for 3 years commencing from 1 January 2019 to 31 December 2021. Subject to compliance with the Listing Rules, the 2018 Financial Services Framework Agreement may be renewed for another three years from 1 January 2022 upon written agreement by both parties.

Under the 2018 Financial Services Framework Agreement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2021, COSCO SHIPPING holds approximately 45.28% of the issued share capital of the Company. COSCO SHIPPING is therefore the Company's controlling shareholders as defined under the Listing Rules. As such, COSCO SHIPPING is a connected persons of the Company within the meaning of the Listing Rules.

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

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

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

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

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2021 in relation to the non-exempt continuing connected transactions of the Group:

Transactions	Annual cap for the year ended 31 December 2021 ('000)	Actual transaction amount for the year ended 31 December 2021 ('000)
1. 2021 Financial Services Framework Agreement		
(a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance	11,000,000	3,204,253
(b) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance	2,000,000	–
2. 2021 Shipping Materials and Services Framework Agreement		
(a) Proposed annual caps for provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	220,000	52,739
(b) Proposed annual caps for receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	9,800,000	4,805,362
3. 2021 Sea Crew Framework Agreement		
(a) Proposed annual caps for provision of the Crew Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	18,000	–
(b) Proposed annual caps for receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	2,300,000	1,891,756
4. 2021 Services Framework Agreement		
(a) Proposed annual caps for provision of the Miscellaneous Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	50,000	–
(b) Proposed annual caps for receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	140,000	39,231
5. 2021 Lease Framework Agreement		
(a) Proposed annual caps for provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	30,000	232
(b) Proposed annual caps for receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	30,000	4,241

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 42 to the consolidated financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Each of the independent non-executive Directors has further confirmed that, the values of all connected transactions and continuing connected transactions between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its international auditor to perform certain factual finding procedures in respect of the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board and confirmed that in respect of the disclosed continuing connected transactions:

a. nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions set out in note 42 to the consolidated financial statements, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company and disclosed in the previous announcements dated 12 November 2021 made by the Company in respect of the disclosed continuing connected transactions.

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

In March 2020, the Company has completed the proposed non-public issuance of A shares, details of which are referred to in the paragraph headed COMPLETION OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES on pages 88-90 of this report.

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

The installment of the shipbuilding contract paid by the Group to Dalian COSCO SHIPPING Heavy Industry in 2021 was USD28,815,000, equivalent to RMB197,959,050.

EMPLOYEES

As at the end of 2021, the Company had approximately 7,781 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the incentive scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2021, the total staff costs was approximately RMB3.197 billion (2020: approximately RMB2.720 billion).

EMPLOYEE HOUSING

According to the relevant local laws and regulations in the PRC, both the Group and its employees in the PRC are required to contribute to an accommodation fund according to a certain percentage of the salaries and wages of the employees. There are no other significant contributory obligations beyond the contributions to the said fund.

MEDICAL INSURANCE SCHEME

As required by the regulations of the local government in the PRC effective from 1 July 2001, the Company participates in a defined contribution medical insurance scheme organised by local social security authorities. Under the scheme, the Company is required to make monthly contributions at the rate of 12% of the total salaries of the employees. In addition, pursuant to the aforementioned regulations, the contributions are accounted for as staff welfare payables accrued by the Company. The Company has no obligation for the payment of medical benefits beyond such contributions to the registered insurance companies.

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Group are set out in note 38 to the consolidated financial statements.

No forfeited contributions were available as at 31 December 2021 to reduce future contributions.

SHARE OPTION SCHEME

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

(A) Purpose of the Incentive Scheme

The purpose of the Incentive Scheme is to:

1. effectively bond the interests of Shareholders and the senior management of the Company, maximising shareholders' interest and increasing the value of state-owned assets;

2. ensure the Company offers remuneration and incentive package which is competitive in the PRC labour market, attracting and incentivising key personnel of the Company to strive for the strategic goals of the Company; and

3. align the remuneration of the senior management and key personnel of the Company with the overall performance of the Company through the Incentive Scheme, motivating such persons to attend to and jointly strive for the long-term strategic targets of the Company.

(B) Participants of the Incentive Scheme

There are 133 participants of the Incentive Scheme, including Directors (excluding independent non-executive Directors), senior management and other management and core technical personnel of the Group who have direct impact on the operation results and development of the Company. Such participants do not include substantial Shareholders or controllers of the Company who individually or jointly hold 5% or more of the Shares, or their spouse, parents or children. Participants are not required to make any payment for the application or acceptance of the share option(s) under the Incentive Scheme.

The allocation of options granted to the participants of the Incentive Scheme is set out below:

Names	Positions	Share Options granted ('000)	Approximate percentage of the total number of Share Options under this grant
Liu Hanbo (劉漢波)	General Manager	475	1.34%
Lu Junshan (陸俊山)	Secretary of Party Committee	475	1.34%
Yang Shicheng (楊世成)	Deputy General Manager	427	1.20%
Qing Jiong (秦炯)	Deputy General Manager	427	1.20%
Xiang Yongmin (項永民)	General Accountant	427	1.20%
Luo Yuming (羅宇明)	Deputy General Manager	427	1.20%
Tu Shiming (屠士明)	Secretary of Committee for Discipline Inspection	427	1.20%
Zhao Jinwen (趙金文)	Deputy General Manager	427	1.20%
Li Zhuoqiong (李倬瓊)	General Counsel, Secretary of the Board	380	1.07%
Zhao Yuguang (趙宇光)	Assistant to General Manager	380	1.07%
Other management and core technical personnel (123 persons)		31,188	87.95%
Total (133 Participants):		35,460	100%

(C) Total number of shares available for issue under the Incentive Scheme

The total number of shares subject to the options that may be granted to the participants under the Incentive Scheme shall not exceed 35,460,000 shares (being approximately 0.88% of the Company's total issued shares as at the date of this report).

(D) Maximum entitlement of each participant

The number of options to be granted to each participant under the Incentive Scheme shall not exceed 1% of the total share capital of the Company as of 30 October 2018.

(E) Vesting period

Vesting period represents the period from the Grant Date to the exercise date of the options, which is 24 months pursuant to the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

(F) Exercise period

The date on which a participant is entitled to exercise his options must be a trading day.

If the conditions of exercise as stipulated under the Incentive Scheme are fulfilled after the expiry of a 24-month period from the Grant Date, the participants may exercise their options in stages within the following 60 months as follows:

Exercise period	**Duration**	**Exercise proportion**
First exercise period	Commencing on the first trading day after the expiry of a 24-month period from the Grant Date and ending on the last trading day of a 36-month period from the Grant Date	33%
Second exercise period	Commencing on the first trading day after the expiry of a 36-month period from the Grant Date and ending on the last trading day of a 48-month period from the Grant Date	33%
Third exercise period	Commencing on the first trading day after expiry of a 48-month period from the Grant Date and ending on the last trading day of a 84-month period from the Grant Date	34%

If the conditions of exercise are not fulfilled, the options available for exercise during any given exercise period shall not be exercised and shall not be accumulated to the next exercise period, and such portion of the options shall be cancelled by the Company.

If the conditions of exercise are met, but the options available for exercise are not exercised during the relevant exercise period, they will lapse automatically upon expiry of such exercise period.

(G) Exercise price

The exercise price of the options granted to the participants under the Incentive Scheme is RMB6.05 per A share (before adjustment as set out in the paragraph below), being the highest of the following:

1. the average trading price of the A shares on the last trading day immediately preceding the 19 December 2017 (being the date of the Company's announcement in relation to the proposed adoption of the initial A share option incentive scheme) (RMB6.02);

2. the average of the trading prices of the A shares for the last 20 trading days immediately preceding 19 December 2017 (RMB6.04);

3. the closing price of the A shares on the last trading day immediately preceding 19 December 2017 (RMB6.01);

4. the average of the closing prices of the A shares for the last 30 trading days immediately preceding 19 December 2017 (RMB6.05); and

5. RMB1.00, being the nominal value of an A share.

As set out in the Company's announcement dated 30 October 2018, on 13 July 2018, the Company has distributed a final dividend of RMB0.05 per share in respect of the period ended 31 December 2017 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB6.05 per A share to RMB6.00 per A share.

As set out in the Company's announcement dated 30 March 2020, on 28 June 2019, the Company has distributed a final dividend of RMB0.02 per share in respect of the period ended 31 December 2018 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB6.00 per A share to RMB5.98 per A share.

As set out in the Company's announcement dated 29 October 2020, on 10 July 2020, the Company has distributed a final dividend of RMB0.04 per share in respect of the period ended 31 December 2019 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB5.98 per A share to RMB5.94 per A share.

As set out in the Company's announcement dated 31 August 2021, on 16 July 2021, the Company has distributed a final dividend of RMB0.20 per share in respect of the period ended 31 December 2020 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB5.94 per A share to RMB5.74 per A share.

(H) Validity period

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

(I) Movement of options granted under the Incentive Scheme

Details of movement of the options granted under the Incentive Scheme for the year ended 31 December 2021 and up to the date of this report were as follows:

	Number of options								
Name or category of participants	As at 1 January 2021	Cancelled during the year	Lapsed during the year	Exercised during the year	As at the date of this report	Grant Date	Vesting period	Exercise period	Exercise price
Zhu Maijin (Director)	416,000[1]	-	(137,280)	-	278,720	27-Dec-18	2 years from Grant Date	28 December 2020 to 27 December 2025	5.74[2]
Other management and core technical personnel (132 participants)	28,945,000[1]	(1,606,770)[3]	(9,360,120)	-	17,978,110	27-Dec-18	2 years from Grant Date	28 December 2020 to 27 December 2025	5.74[2]
Total	29,361,000	(1,606,770)[3]	(9,497,400)	-	18,256,830				

(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. The exercise price was adjusted from RMB5.94 to RMB5.74 at the Board meeting on 30 August 2021.

(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. 581,000 share options held by 2 participants has been cancelled at the Board meeting on 30 August 2021. Another 9,497,400 options lapsed and 1,025,770 options held by 5 participants to be cancelled in 2021 have been approved by the Board in April 2022.

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

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

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

(1) Class of Shares: A Shares

(2) Nominal value per Share: RMB1.00

(3) Number of Shares issued: 730,659,024 A Shares

(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 4 March 2020): RMB5.88 per A Share

(7) Gross proceeds: RMB5,099,999,987.52

(8) Costs of the issuance: RMB23,993,881.71 (taking into account the deduction of value-added tax: RMB23,126,594.94)

(9) Net proceeds: RMB5,076,006,105.81

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

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

Details of the usage of the proceeds raised:

unit: RMB million

No.	Project	Net proceeds	Utilized proceeds as of 31 December 2021	Unutilized proceeds as of 31 December 2021
1	Acquisition of 14 oil tankers	4,688.23	4,721.94	–
	Including: 4 VLCC oil tankers	1,971.51	1,985.23	–
	3 Suez oil tankers	992.10	992.10	–
	3 Aframax oil tankers	778.04	798.04	–
	2 LR2 product oil tankers	531.67	531.67	–
	2 Panamax oil tankers	414.90	414.90	–
2	Acquisition of two Panamax oil tankers (72,000-tonne class)	387.78	387.78	–
Total		5,076.01	5,109.72	–

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

By order of the Board
Ren Yongqiang
Chairman

Shanghai, the PRC
30 March 2022

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive Directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter referred to as the "**Company**"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2021 in accordance with the format and requirement provided in Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) as below.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As independent non-executive Directors of the tenth Board of the Company, we are familiar with the basic knowledge of the operation of listed companies and the relevant laws and regulations, and possess the work experience and qualification necessary for due performance of the duties as independent non-executive Directors. There is no relation with the Company which would impact our independence, and that none of us are identified by the China Securities Regulatory Commission as personnels whose entry into the securities market is banned and the ban has not been lifted so far. We undertake again that any one of us will voluntarily resign as an independent non-executive Director in case of any disqualification to act as an independent non-executive Director during our tenure.

As at 31 December 2021, the Board comprises 9 Directors, including 2 executive Directors, 2 non-executive Directors and 5 independent non-executive Directors. The constitution is in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Listing Rules.The five independent non-executive Directors are Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen, and they are professionals with work experience in the fields of shipping, finance and corporate governance, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions of independent directors. Mr. Victor Huang, Mr. Li Runsheng, Mr.Wang Zuwen and Mr. Zhao Jinsong act as Chairman of the relevant committee (as the case may be), in four professional committees, i.e., the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Risk Control Committee under the Board. For further information of the biographical details of the five independent non-executive Directors, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

Our five independent non-executive Directors all earnestly performed their duties with independent judgment by fulfilling the statements and undertakings we made during selection since the date on which we were selected and appointed at the general meeting of the Company. We acted independently of the substantial shareholders and the ultimate controlling shareholder of the Company or other entities or individuals who have a stake in the Company, protecting the legitimate rights and interests of shareholders as a whole according to law.

1. Attendance of Board Meetings and General Meetings

In 2021, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention on during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2021, the Company convened 16 Board meetings (9 meetings of which were held by way of correspondence) and 3 general meeting. We have reported our duty performance report in the 2021 Annual General Meeting and the report is published in the Company's website and the website of the Shanghai Stock Exchange.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

1. Attendance of Board Meetings and General Meetings (Continued)

The following table shows the attendance of independent non-executive Directors at the above meetings in 2021:

Name	Number of Board meetings required to attend this year (times)	Attend Board meetings in person (times)	Attend Board meetings by proxies (times)	Board meetings absence (times)
Mr. Rui Meng (芮萌)	5	5	0	0
Mr. Teo Siong Seng (張松聲)	16	16	0	0
Mr. Victor Huang (黃偉德)	16	16	0	0
Mr. Li Runsheng (李潤生)	16	16	0	0
Mr. Zhao Jinsong (趙勁松)	16	16	0	0
Mr. Wang Zuwen(王祖温)	11	11	0	0

Name	Number of general meetings required to attend this year (times)	Attend general meetings in person (times)	general meetings absence (times)
Mr. Rui Meng (芮萌)	0	0	0
Mr. Teo Siong Seng (張松聲)	3	3	0
Mr. Victor Huang (黃偉德)	3	3	0
Mr. Li Runsheng (李潤生)	3	3	0
Mr. Zhao Jinsong (趙勁松)	3	3	0
Mr. Wang Zuwen (王祖温)	3	3	0

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

2. Work of Professional Committees of the Board

During the Reporting Period,

(1) By the end of 2021, the Strategy Committee of the Board of the Company consisted of 7 Directors, including 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors, and Mr. Ren Yongqiang was the Chairman. Mr. Teo Siong Seng, Mr. Li Runsheng and Mr. Zhao Jinsong. During 2021, the Strategy Committee held two meetings to review the 2020 CSR Report of the Company and the 14th Five Year Plan of the Company.

(2) By the end of 2021, the Audit Committee comprised 3 independent non-executive Directors, and Mr. Victor Huang was the Chairman. During 2021, the Audit Committee held 7 meetings, has considered the 2020 operational and financial report of the Company, the 2020 auditing report of the Company, the report on 2020 internal audit work review and 2021 work plan, the 2021 interim operational and financial report of the Company, the 2021 interim management communication report and 2021 interim financial documents of the Company. The Audit Committee considered the proposals in respect of the provision for asset impairment on part of aged foreign trade vessels, 2020 Duties report of the Audit Committee, the appointment of 2021 domestic and international audit institutions, the 2021 first quarterly report of the Company, the changes on accounting estimates, the 2021 third quarterly report of the Company, Continuous Connected Transaction Agreements with China COSCO SHIPPING Group and applying for 2022-2024 annual cap, and the auditing plan of the domestic and international financial reports of 2021.

The Audit Committee holds at least one meeting with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2021, the Audit Committee held 2 meetings with the external auditors. The Audit Committee will first review the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

2. Work of Professional Committees of the Board (Continued)

(3) By the end of 2021, the Remuneration and Appraisal Committee consisted of 3 independent non-executive Directors and Mr. Li Runsheng was the Chairman. In 2021, the Remuneration and Appraisal Committee held 4 meetings, reviewed the 2020 remuneration of the management and the practice of 2020 annual work plan, which are the basis of 2020 remuneration policy of the management. The Remuneration and Appraisal Committee gave advice on the 2021 remuneration policy of the directors and supervisors. It also provided professional opinions on the Incentive Scheme, implemented the proposal, documents and signed instruments of the tenure and contract management system based on the requirements of the three-year action plan for SOE reform, and reviewed the measures for the management of total wage.

(4) By the end of 2021, the Nomination Committee consisted of 3 Directors, all being independent non-executive Directors, and Mr. Rui Meng was the Chairman. In 2021, the Nomination Committee convened 4 meetings to consider the issues of the recommendation of the 10th members of the Board of the Company, the appointment of the secretary of the Board of the Company, the appointment of executive director of the Company and the appointment of financial officer of the Company, and submitted relevant proposals to the Board for approval.

(5) By the end of 2021, the Risk Control Committee consisted of three Directors, two of whom were independent non-executive Directors, and Mr. Zhao Jinsong was the Chairman. In 2021, the Risk Control Committee held 3 meetings, mainly amended the Company's Sanctions Compliance Manual and considered the "Proposal on the Report on the Company's Internal Control and Risk Management in 2020", the "Proposal on the Company's Safety Work Report in 2021", the "Proposal on the Company's Legal Work Report in 2021", and the "Proposal on the Company's Compliance Management".

Each of us earnestly executed our duties as independent non-executive Directors in the above-mentioned five professional committees under the Board.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

3. Independent Opinions

In 2021, we provided prior approval opinions at the reappointment of auditors and continuing connected transactions, and gave independent directors' opinions on matters such as asset impairment, profit distribution, reappointment of auditors, appointment of directors and management team, the remuneration of directors and management team, expected warranty, changes in accounting estimates and continuing connected transactions.

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

1. Connected Transactions

The Company formulated and executed the "System for the Administration of Connected Transactions of COSCO SHIPPING Energy", pursuant to which, the connected transactions business was operated according to law and regulation. For example, a class general meeting is convened as required at which the connected shareholders abstain from voting, the minority shareholders vote and approve the execution of transactions while independent non-executive Directors all make statements and express independent opinions, which eradicates the occurrence of the transfer of profits by the substantial shareholders through connected transactions.

2. External Guarantee and Funds Embezzlement

The Company monitored its external guarantee actions in strict compliance with the external guarantee procedures explicitly provided in the Articles. The "Measures for the Administration of Preventing Funds Embezzlement by Controlling Shareholder and Related Parties in COSCO SHIPPING Energy Transportation Co., Ltd." (《中遠海運能源運輸股份有限公司防範控股東及關聯方資金佔用管理辦法》) was implemented and executed, and so far there has occurred neither any illegal guarantee action in the Company, nor the funds embezzlement by the substantial shareholders.

3. Use of the Raised Funds

The Company complied with the relevant laws and regulations in respect of the deposit and use of the raised funds during the course of funds-raising management. The raised funds were deposited in separate accounts and used for professional purposes, there was no illegal use of the funds nor situations which may impair shareholders' interests.

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

4. Nomination of Senior Managerial Staff and their Remuneration

In 2021, the Board appointed Ms. Ni Yidan as the Secretary of the Board, appointed Mr. Tian Chao as financial controller with effect from April 2022. After the review on their personal documents, we think they are eligible to be the members of the management team.

The Company has established incentive mechanisms that correlated with business results in order to refine management exploit potentials, increase profitability and to promote activeness of managers and technicians.

As authorized by the Shareholders' meeting of the Company, the Board of Directors approved the granting of 35,460,000 share options to 133 participants on December 27, 2018.

We believed that there was no difference between the Company's arrangements for granting share options to participants and the Incentive Scheme. The implementation of the Incentive Scheme by the Company was conducive to the realization of its development strategy and operation objectives, and no harm would be caused to the interests of the Company and all shareholders.

5. Results Forecast and Preliminary Financial Data

The Company released a profit warning in July 2021 as there was a decrease on profit, which mainly due to:

During the first half of 2021, against the backdrop of slow recovery of global oil demand, the ongoing implementation of the OPEC+ production cut agreement that accelerated destocking, and the oversupply that led to the continued sluggish international oil shipping market, coupled with the year-on-year increase in international fuel prices, revenue from the international oil shipping market continued to hover at a historically low level. From January to June 2021, the daily Time Charter Equivalent (TCE) of the TD3C (Middle East – China) route for very large crude carriers (VLCC) plunged to the negative territory several times with the average daily TCE of -USD311/day, representing a decrease of approximately 100.38% as compared with that in the same period last year. The Group adopted measures such as extreme speed down navigation to reduce costs. However, the poor market sentiment still led to a year-on-year decline in the revenue of the Group's international oil shipping segment.

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

5. Results Forecast and Preliminary Financial Data (Continued)

The Company released a negative profit alert in Jan 2022 as there was a provision for asset impairment, which mainly due to:

In 2021, the recurring COVID-19 epidemic disrupted the global economic activities, oil consumption was suppressed accordingly. Additionally, the destocking of oil commercial inventory delayed the recovery of oil transportation demand. The structural conflicts of supply and demand in shipping capacity also led to low international tanker freight rates. The average annual TCE ("**Time Charter Equivalent**") of VLCC ("**Very Large Crude Carrier**") TD3C ("**Middle East-China**") was USD-518 per day, representing a year-on-year decrease of approximately USD48,697 per day or 101%. The uncertain international politics and economics diminished the market boost. To realize the annual business goal of "Win the Market, Win the Peers" in the complex operational environment, the Group adopted various effective measures such as low speed fleet navigation, refined fuel procurement, business model innovation etc, to control the operational cost and improve efficiency. However, in 2021, due to the unsatisfactory international tanker market and the rigid increase in cost of epidemic prevention, the business performance of the Group was nonetheless significantly affected; and during the Reporting Period, the Group made the provision for asset impairment for 94 vessels with the amount of approximately RMB4.96 billion.

6. Appointment or Replacement of Certified Public Accountants

The Company's 2021 AGM which was held on 30 June 2021 considered and approved the proposal on appointing the Company's 2021 domestic and overseas audit institutions and their remuneration, including:

Reappoint PricewaterhouseCoopers and ShineWing Certified Public Accountants LLP as the overseas auditors and the domestic auditors of the Company for the year ending 31 December 2021 respectively.

ShineWing Certified Public Accountants LLP is qualified by national authorities for dealing with securities and futures-related business, which can meet the relevant requirements of the Company's domestic audit work; PricewaterhouseCoopers is qualified with the registration certificate issued by the Hong Kong Institute of Certified Public Accountants and the business registration certificate issued by the Hong Kong Inland Revenue Department. Subject to Rule 4.03 of the Listing Rules, certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors can meet the Company's requirements for H shares audit work.

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

6. Appointment or Replacement of Certified Public Accountants (Continued)

We agreed to continue to hire ShineWing to serve as the Company's domestic audit institution and PricewaterhouseCoopers as the overseas audit institution in 2021. We believed that the Company's decision-making procedures were legally compliant and no damage would be caused to the Company or the interests of small and medium shareholders.

7. Cash Dividends and Other Returns for Investors

In 2020, the Company achieved a net profit attributable to owners of the Company RMB2,381 million. The Board recommended the distribution of a final dividend if RMB20 cents per share (tax inclusive) for the financial year of 2020 which had been approved at the 2021 AGM and the dividend has been paid to shareholders in July 2021.

8. Fulfillment of Undertakings by the Company and Shareholders

China Shipping Group Company Limited, the direct controlling shareholder of the Company, and China COSCO SHIPPING Corporation Limited, the indirect controlling shareholder of the Company, successively made the commitments of competition avoidance and reduction of related party transactions, profit forecasting and compensation, capital security, independence, etc. to the Company.

From then to date, no breach of the undertaking was committed.

9. Implementation of Information Disclosure

The Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, habit of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the PRC and Hong Kong. In the meantime, the Company has promoted the investor relations management and the exchange and communication with investors at home and abroad, and has disclosed information according to laws and regulations to improve the transparency of the Company, in order to ensure the informed right of the investors from domestic and abroad.

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

10. Implementation of Internal Controls

In 2021, the Company finished the integration of quality system and risk control system and solved the corresponding problem of discrepancy brought by multiple systems, which laid the foundation for the further integration of systems. The new integrated version includes two main parts, *the Shore-based Management Manual* and *the Ship Management Manual. The Shore-based Management Manual* covers 10 general aspects such as the general principals, procedure files and KRI index base. Categorized by duty and business, there are 10 primary procedures, 48 secondary procedures and 163 tertiary procedures; From the perspective of risk framework, there are 5 primary risks, 37 secondary risks and 85 tertiary risks, consisting 177 risk scenarios; to ensure the effective operation of the system, external auditing, internal auditing, internal control evaluation, compliance evaluation, third-party auditing, the assessment of the system and other methods have be adopted to supervise the operation, rectify the shortage and consistently improve the management; quality, health, safety, environmental protection and multi-dimensional indicators are recognized in the internal control and risk management for users' learning and search as well as internal and external review.

11. Operation of the Board and its Professional Committees

The Board was established with clear terms of reference and sound systems, and the independent non-executive directorship system was effectively implemented. In accordance with the provisions of relevant laws and regulations such as the Company Law of the PRC as well as the Articles, the Company formulated the Rules and Procedures of Meetings of the Board of Directors, which formed an integral part of the Articles. All procedures, rules and systems required by the Rules and Procedures of Meetings of the Board of Directors were strictly followed.

According to the Implementation Rules, professional committees of the Board convened regular or ad hoc meetings to conduct special discussions or researches on any resolution relating to significant matters before it was proposed to the Board for consideration and approval. This not only ensured the quality of resolutions proposed to the Board, but also strengthened the communications and exchanges among the Company, our independent non-executive Directors and relevant intermediaries. It was also instrumental in improving the operation efficiency of the Board and making scientific decisions for significant matters, and played an active role in promoting the standardised operation of the Company.

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

12. Other Matters which are Required by the Independent Non-executive Directors to be Improved

We, the 5 independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2021, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

We hope that in the coming year, the Company will further expand its market presence, strive to achieve stable development and reward its shareholders with excellent results.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2021, we maintained regular communication with management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2022, we will continue to comply with the laws and regulations and the provisions of the Articles in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive Directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

We would like to take this opportunity to express our respect and gratitude to the Board, the management team and relevant staff of the Company for their positive and effective cooperation and support for our performance of duties.

Independent Non-executive Directors:
Teo Siong Seng
Victor Huang
Li Runsheng
Zhao Jinsong
Wang Zuwen

30 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2021, the Supervisory Committee held 8 meetings, details of which are set out below:

25-Jan-21

1. Provision for asset impairment on part of aged trade foreign vessels

30-March-21

1. Report on the work of the Company's Supervisory Committee in 2020
2. 2020 Annual Report of the Company (A Share/H Share)
3. 2020 audited financial report of the Company
4. 2020 profit distribution plan of the Company
5. 2020 social responsibility report of the Company
6. Proposal on the risk and internal control work report of the Company
7. Proposal on the new guarantee amount during the period from 1 July 2021 to 30 June 2022
8. Proposal on the special report on the deposit and actual use of the Company's fund raising for year of 2020

29-Apr-21

1. First quarterly report of 2021

31-May-21

1. Proposal on the recommendation of the members of the tenth term of the Supervisory Committee (other than employee representative Supervisors)

7-July-21

1. Proposal on the election of the Chairman of the Supervisory Committee

30-August-21

1. Interim report and results announcement for the six months ended 30 June 2021
2. Proposal on the special report on the deposit and actual use of the Company's fund raising for the first half year of 2021
3. Proposal on the changes of accounting estimates
4. Proposal on the adjustment of the exercise price, the list of participants and the number of shares under the Incentive Scheme

29-Oct-21

1. Third quarterly report of 2021

12-Nov-21

1. Proposal on signing Continuous Related Party Transaction Agreements with China COSCO SHIPPING Group and applying for 2022-2024 annual cap

(2) Composition of the Supervisory Committee and the attendance of Supervisors at the above meetings in 2021:

Name	Position	Number of Supervisory Committee meetings required to attend this year	Attend Supervisory Committee meetings in person	Attend Supervisory Committee meetings by proxies	Absence
Weng Yi (翁羿)	Chairman	8	8	0	0
Yang Lei (楊磊)	Supervisor	8	8	0	0
Xu Yifei (徐一飛)	Supervisor as a representative of employees	8	8	0	0
An Zhijuan (安志娟)	Supervisor as a representative of employees	4	4	0	0
Zeng Xiangfeng (曾向峰)	Supervisor as a representative of employees	4	4	0	0

(3) Attendance of Supervisors at the general meetings in 2021

Name	Position	Number of general meetings required to attend this year	Attend general meetings in person	Absence
Weng Yi (翁羿)	Chairman	3	2	1
Yang Lei (楊磊)	Supervisor	3	2	1
Xu Yifei (徐一飛)	Supervisor as a representative	3	2	1
An Zhijuan (安志娟)	Supervisor as a representative	1	0	1
Zeng Xiangfeng (曾向峰)	Supervisor as a representative	2	2	0

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2021:

(1) Legal Operation

During the Reporting Period, according to the Company Law of the PRC, the Securities Law of the PRC, the Listing Corporation Governance Guidelines of CSRC and relevant laws and regulations, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures of the Company and improves the corporate governance of the Company. Checks and balances were achieved through the coordination among the Shareholders at the general meeting, the Board and its related special Board committees, the Supervisory Committee and management headed by the General Manager.

The Company has established a comparatively complete internal control system and followed legitimate decision-making process. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. As far as the Supervisory Committee is aware, the directors and the senior management of the Company have not contravened any laws and regulations and/or the Articles or damaged the interests of the Company when performing their duties.

(2) Financial Condition

The Company had standard financial accounting and healthy internal control system. The financial report of the Company objectively, truthfully and fairly reflects its financial condition and operational performance. The 2021 annual consolidated financial statements represented a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows in 2021 and the 2021 annual consolidated financial statements were audited by ShineWing and PricewaterhouseCoopers.

(3) Connected Transactions

The Supervisory Committee has carefully reviewed the 2021 connected transactions of the Company and considered that the connected transactions with COSCO SHIPPING Finance Co., Ltd and with COSCO SHIPPING are all necessary to the routine operations of the Company. The connected transactions was priced by a fair market principle, following the principle of fairness, justice and transparency, undertaking legal decision-making procedure and according with the relevant local listing rules. The information disclosure is standard and transparent. There is no such behavior detrimental to the interest of the Company.

(4) Asset Purchase and Sell

During the Reporting Period, the asset purchase and sell price of the Company followed the principle of market pricing and were decided by negotiations. The purchase and sell were fair trades, which was not detrimental to the interest of shareholders nor resulted in any loss of the Company's assets.

(5) Self-assessment Report of Internal Control

The self-assessment report of internal control of the Company can truthfully reflect its actual condition of the establishment and implementation of internal control. The internal control system of the Company is sound and effective.

(6) Establishment and Implementation of Insider Information Management System

The insider information management system of the Company is perfect and effective to guarantee the security of inside information.

(7) Stock Incentive Scheme

The Supervisory Committee has reviewed the procedures of stock incentive during the reporting period, and has not found any circumstance that differs from the scope of the incentive object according to the incentive scheme of the Company or any circumstance damages the interest of the Company and all shareholders.

(8) Information Disclosure Management System

During the Reporting Period, the Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, habit of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the PRC and Hong Kong.

(9) Management on Raised Funds

In 2020, the Company has completed the proposed non-public issuance of A shares and during the Reporting Period, the Directors and senior management could perform their duties, earnestly implement the resolutions of the Shareholders' meeting and the Board. The Company stored and used the raised funds specifically, and did not change the use of raised funds in any other forms or damage the Shareholders' interests. The Company did not use the raised funds unlawfully. For the corporate bonds issued by the Company, the Company has paid pre-determined annual interests on time in accordance with the terms of the issue.

By order of the Supervisory Committee
Weng Yi
Chairman of the Supervisory Committee

Shanghai, the PRC
30 March 2022

羅兵咸永道

TO THE MEMBERS OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 115 to 237, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Valuation and impairment of vessels

- Freight revenue for vessel voyages in progress at year end

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of vessels Refer to notes 2.8, 4.1, 8 and 15 to the consolidated financial statements. As of December 31, 2021, the Group had property, plant and equipment and right-of-use assets with total carrying amount of approximately RMB44,202 million, of which vessels with total carrying amount of approximately RMB41,828 million. The Group recognised an impairment provision of RMB4,961 million of vessels for the year ended 31 December 2021.	Our procedures in relation to management's impairment assessment of vessels included the following: • obtained an understanding of the management's internal control and assessment process of the impairment of the vessels and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • assessed the resonableness of identification of cash-generating units; • assessed whether the future discounted cash flow forecasts have been prepared according to the asset grouped at the lowest level (cash-generating units); • assessed the reasonableness of key input data and assumptions used in future cash flow forecasts by comparing them with historical actual information, management's approved budget and industry reports on the future macro and micro economic outlook; • involved our internal valuation expert in assessing the discount rates used;

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Valuation and impairment of vessels (Continued)

For the purpose of the impairment assessment of the vessels, management involved an independent external valuer to help determine the recoverable amounts of vessels based on the higher of the assets' fair value less costs of disposal and value-in-use calculations. The value-in-use calculations are based on future discounted cash flows of cash-generating units for those vessels and involves significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("**TCE**") rates, cost inflation rates and discount rates applied to the future cashflows forecasts.

We focused on this area because of the significance of carrying amount of vessels and the impairment loss for the year ended 31 December 2021, and the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of the vessels is considered significant due to the significant assumptions used and significant judgements involved in determined the recoverable amounts.

How our audit addressed the Key Audit Matter (Continued)

- assessed the competence, capabilities and objectivity of the external valuer;
- checked the mathematical accuracy of the value-in-use calculations and fair value less costs of disposal;
- performed sensitivity analysis on key assumptions;
- assessed the adequacy of the disclosures related to the impairment of the vessels in the context of HKFRSs; and
- consider whether the judgements made in selecting the significant assumptions and data would give rise to indicators of possible management bias.

Based on the audit procedures performed, we found key judgements and assumptions used in the impairment assessments to be supportable based on the evidence we gathered.

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Freight revenue for vessel voyages in progress at year end

Refer to notes 2.18 and 5 to the consolidated financial statements.

As at 31 December 2021, the Group recognised revenues of RMB12,645 million out of which RMB10,574 million was related to freight revenue which represents revenue, from oil shipment excluding vessel chartering.

The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information.

We focused on the recognition of freight revenue at year end due to the complex calculations involved in the estimation of freight revenue for vessel voyages in progress at year end.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's estimation of freight revenue for vessel voyages in progress at year end included:

- evaluated and tested the key controls that management has established in respect of recording freight revenue, focusing on management's controls over the estimate of freight revenue for vessel voyages which were still in progress at year end;
- tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer and vendor contracts;
- checked the port loading and discharging information (i.e. time and date) on a sample basis against the supporting documents such as terminal records; and
- recomputed the estimated freight revenue and calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records.

Based on the audit procedures performed, we found the freight revenue for vessel voyages in progress at year end was supportable based on the evidence we gathered.

OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	For the year ended 31 December 2021 RMB'000	2020 RMB'000
Revenues	5	**12,644,700**	16,268,197
Operating costs		**(16,734,169)**	(12,386,553)
Gross (loss)/profit		**(4,089,469)**	3,881,644
Other income and gains, net	6	**403,695**	12,100
Marketing expenses		**(50,335)**	(56,192)
Administrative expenses		**(905,495)**	(811,088)
Reversal of impairment losses on financial and contract assets		**33,777**	5,508
Other expenses		**(61,824)**	(25,925)
Share of profits of associates	18	**254,727**	247,150
Share of profits of joint ventures	19	**714,288**	690,558
Finance costs	7	**(826,672)**	(1,039,721)
(Loss)/profit before tax	8	**(4,527,308)**	2,904,034
Income tax expense	9	**(139,800)**	(272,590)
(Loss)/profit for the year		**(4,667,108)**	2,631,444
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**32,942**	52,594
Remeasurement of defined benefit plan payable		**2,630**	4,026
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**(234)**	12,222
Items that may be reclassified to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**(188,028)**	(477,154)
Net profit/(loss) on cash flow hedges		**152,564**	(383,875)
Hedging gain reclassified to profit or loss	7	**123,240**	111,471
Share of other comprehensive (loss)/profit of associates		**(19,518)**	17,535
Share of other comprehensive loss of joint ventures		**(18,620)**	(230,990)
Net loss on disposal of investment properties		**–**	(4,558)
Other comprehensive income/(loss) for the year		**84,976**	(898,729)
Total comprehensive (loss)/income for the year		**(4,582,132)**	1,732,715

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

For the year ended 31 December 2021

	Note	For the year ended 31 December **2021** **RMB'000**	 2020 RMB'000
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(4,985,386)**	2,381,415
Non-controlling interests		**318,278**	250,029
(Loss)/profit for the year		**(4,667,108)**	2,631,444
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(5,075,283)**	1,604,171
Non-controlling interests		**493,151**	128,544
		(4,582,132)	1,732,715
(Losses)/earnings per share	13		
– Basic (RMB cents/share)		**(104.68)**	52.00
– Diluted (RMB cents/share)		**(104.68)**	51.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2021

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**10,387**	10,387
Property, plant and equipment	15	**43,286,633**	48,497,144
Right-of-use assets	16	**915,813**	1,690,724
Goodwill	17	**73,325**	73,325
Investments in associates	18	**2,746,279**	2,772,302
Investments in joint ventures	19	**4,126,124**	3,286,382
Loan receivables	20	**1,197,618**	1,245,027
Financial assets at fair value through other comprehensive income	21(a)	**506,240**	462,317
Deferred tax assets	22(a)	**40,387**	42,776
		52,902,806	58,080,384
CURRENT ASSETS			
Current portion of loan receivables	20	**27,912**	38,561
Inventories	23	**1,013,203**	859,472
Contract assets	24	**749,161**	632,043
Trade and bills receivables	24	**369,482**	668,509
Prepayments, deposits and other receivables	25	**785,266**	810,161
Tax recoverable		**16,451**	–
Pledged bank deposits	26	**767**	764
Cash and cash equivalents	26	**3,523,889**	4,869,963
		6,486,131	7,879,473
TOTAL ASSETS		**59,388,937**	65,959,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As 31 December 2021

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
NON-CURRENT LIABILITIES			
Provision and other liabilities		**15,286**	15,286
Derivative financial instruments	29	**556,105**	847,983
Interest-bearing bank and other borrowings	30	**12,667,077**	13,809,152
Other loans	31	**911,337**	977,193
Bonds payable	32	**–**	2,495,824
Employee benefits payable	33	**166,301**	164,218
Lease liabilities	16	**1,329,584**	1,699,996
Deferred tax liabilities	22(b)	**483,139**	455,017
		16,128,829	20,464,669
CURRENT LIABILITIES			
Trade and bills payables	27	**1,780,544**	1,610,104
Other payables and accruals	28	**904,171**	1,136,151
Contract liabilities		**23,737**	18,824
Current portion of interest-bearing bank and other borrowings	30	**7,647,436**	6,682,421
Current portion of other loans	31	**43,386**	44,562
Current portion of bonds payable	32	**2,538,514**	–
Current portion of employee benefits payable	33	**27,271**	23,094
Current portion of lease liabilities	16	**325,796**	325,126
Taxes payable		**46,970**	52,560
		13,337,825	9,892,842
TOTAL LIABILITIES		**29,466,654**	30,357,511

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	34	**4,762,692**	4,762,692
Reserves	35	**23,828,354**	29,859,136
		28,591,046	34,621,828
Non-controlling interests		**1,331,237**	980,518
TOTAL EQUITY		**29,922,283**	35,602,346

Ren Yongqiang
Director

Zhu Maijin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	Hedging reserve RMB'000	FVOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019	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 year	-	-	-	-	-	-	-	-	-	-	-	2,381,415	2,381,415	250,029	2,631,444
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	26,823	-	-	26,823	25,771	52,594
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	4,026	4,026	-	4,026
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(477,154)	-	(477,154)	12,222	(464,932)
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	(156,621)	-	-	-	(156,621)	(227,254)	(383,875)
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	45,480	-	-	-	45,480	65,991	111,471
Share of other comprehensive profit of associates	-	-	-	-	-	-	-	-	17,776	(2,026)	-	-	15,750	1,785	17,535
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	(248,833)	-	17,843	-	(230,990)	-	(230,990)
Disposal of investment properties	-	-	(4,558)	-	-	-	-	-	-	-	-	-	(4,558)	-	(4,558)
Total comprehensive income for the year	-	-	(4,558)	-	-	-	-	-	(342,198)	24,797	(459,311)	2,385,441	1,604,171	128,544	1,732,715
Issue of ordinary shares	730,659	4,346,214	-	-	-	-	-	-	-	-	-	-	5,076,873	-	5,076,873
Accrual of safety fund reserve	-	-	-	-	-	-	162,946	-	-	-	-	(171,732)	(8,786)	8,786	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(158,188)	-	-	-	-	162,838	4,650	(4,650)	-
Non-controlling interests on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(53,399)	(53,399)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(227,665)	(227,665)
Dividends paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	-	(190,508)	(190,508)	-	(190,508)
Fair value of share options granted	-	-	-	10,693	-	-	-	-	-	-	-	-	10,693	-	10,693
Contribution from non-controlling interests of the subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	86,031	86,031
At 31 December 2020	4,762,692	12,096,153	273,418	101,254	(286,027)	2,877,435	14,475	93,158	(766,342)	106,652	(125,579)	15,474,539	34,621,828	980,518	35,602,346

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	FVOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020	4,762,692	12,096,153	273,418	101,254	(286,027)	2,877,435	14,475	93,158	(766,342)	106,652	(125,579)	15,474,539	34,621,828	980,518	35,602,346
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	(4,985,386)	(4,985,386)	318,278	(4,667,108)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	16,800	-	-	16,800	16,142	32,942
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	2,630	2,630	-	2,630
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(188,028)	-	(188,028)	(234)	(188,262)
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	62,246	-	-	-	62,246	90,318	152,564
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	50,282	-	-	-	50,282	72,958	123,240
Share of other comprehensive profit of associates	-	-	-	-	-	-	-	-	(15,766)	1,783	(1,224)	-	(15,207)	(4,311)	(19,518)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	114,226	-	(132,846)	-	(18,620)	-	(18,620)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	210,988	18,583	(322,098)	(4,982,756)	(5,075,283)	493,151	(4,582,132)
Accrual of safety fund reserve	-	-	-	-	-	-	122,875	-	-	-	-	(131,303)	(8,428)	8,428	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(132,866)	-	-	-	-	141,280	8,414	(8,414)	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(216,830)	(216,830)
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	-	-	-	4,172	-	-	-	-	-	-	-	-	4,172	-	4,172
Contribution from non-controlling interests of the subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	74,384	74,384
At 31 December 2021	4,762,692	12,096,153	273,418	105,426	(286,027)	2,877,435	4,484	93,158	(555,354)	125,235	(447,677)	9,542,103	28,591,046	1,331,237	29,922,283

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	For the year ended 31 December 2021 RMB'000	 2020 RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	37	**3,335,953**	6,973,111
INVESTING ACTIVITIES			
Interest received		**80,833**	98,242
Payments for construction in progress		**(2,924,787)**	(5,504,703)
Purchases of property, plant and equipment		**(1,321)**	(1,458)
Investments in an associate		**(10,648)**	(349,264)
Investments in joint ventures		**(581,532)**	–
Payments for financial assets at fair value through other comprehensive income		**–**	(1,288)
Proceeds from disposal of property, plant and equipment		**91,886**	256,224
Proceeds from disposal of investment properties		**–**	40,229
Repayment from associates		**30,240**	20,375
Repayment from joint ventures		**10,891**	19,693
Dividends received from associates		**271,880**	196,703
Dividends received from joint ventures		**435,764**	387,613
Dividends received from financial assets at fair value through other comprehensive income		**13,010**	12,675
Disposal of subsidiaries, net of cash acquired		**–**	7,850
(Increase)/decrease in pledged bank deposits		**(3)**	97
Proceeds from sale of financial assets at fair value through other comprehensive income		**–**	8,826
NET CASH USED IN INVESTING ACTIVITIES		**(2,583,787)**	(4,808,186)

	Note	2021 RMB'000	2020 RMB'000
		For the year ended 31 December	
FINANCING ACTIVITIES			
Interest paid		**(882,258)**	(1,202,321)
Dividends paid		**(952,538)**	(190,508)
Dividends paid to non-controlling interests of subsidiaries		**(285,375)**	(244,807)
Repayment of other loans		**(48,198)**	(39,828)
Increase in interest-bearing bank and other borrowings		**7,245,201**	4,515,532
Repayment of interest-bearing bank and other borrowings		**(6,962,033)**	(8,486,423)
Contribution from non-controlling interests of the subsidiary		**74,384**	86,031
Contribution from shareholders of the Company		**–**	5,089,200
Principal elements of finance lease payments		**(263,899)**	(561,897)
Share issue cost and borrowings acquisition cost		**(9,148)**	(7,909)
NET CASH USED IN FINANCING ACTIVITIES		**(2,083,864)**	(1,042,930)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1,331,698)**	1,121,995
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**4,869,963**	3,919,500
Effect of foreign exchange rate changes, net		**(15,650)**	(171,532)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,522,615**	4,869,963

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 year, the Company and its subsidiaries (together the "**Group**") were involved in the following principal activities:

(a) investment holding; and/or

(b) oil shipment along the PRC coast and international shipment; and/or

(c) vessel chartering; and/or

(d) liquefied natural gas ("**LNG**") shipping.

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 regard China Shipping Group Company Limited, a state-owned enterprise established in the PRC, as the immediate parent company.

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

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

These consolidated financial statements were approved for issue by the Board on 30 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE

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

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

These consolidated financial statements have been prepared under the historical cost convention, except that the following assets and liabilities are measured at fair values, as explained in the accounting policies set out below:

– investment properties (see note 2.7);

– certain equity investments that are measured at fair value/financial assets at fair value through other comprehensive income ("**FVOCI**") (see note 2.10); and

– derivative financial instruments (see note 2.17).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of consolidated financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.1 Basis of preparation (Continued)

Going concern

As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately Rmb6,852 million and cash and cash equivalents decreased by Rmb1,346 million from last year. In addition, the Group recorded a loss of RMB4,667 million for the year ended 31 December 2021. In preparing these financial statements, the Board considers the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for period of not less than the coming 12 months. As at 31 December 2021, the Group has total unutilised uncommitted credit facilities of approximately Rmb21,729 million from banks. The Board believes that, based on experience to date, the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. With the cash inflows from operations and available credit facilities, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for not less than the coming 12 months. Accordingly, the Board believes that it is appropriate to prepare these financial statements on a going concern basis.

2.2 Changes in accounting policies and disclosures

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 annual 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 year ended 31 December 2021

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

- 2021 Amendments to IFRS16 – Regarding COVID-19 Related Rent Concessions beyond 30 June 2021

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 year ended 31 December 2021.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.2 Changes in accounting policies and disclosures (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.

By 31 December 2021, the Company confirmed the fixed assets amount of about RMB105 million and the depreciation expense of about RMB21 million according to the actual dock repair situation.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Group. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary other than business combination under common control begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.3 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Business combinations

(a) Business combination involving entities under common control

Business combination involving entities under common control has been accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 issued by the HKICPA.

In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised for goodwill or excess of acquirers' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements have been restated as if the business combination had been completed on the earliest date of the periods being presented or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they were incurred.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.4 Business combinations (Continued)

(b) *Business combination not involving entities under common control*

Acquisitions of businesses not involving entities under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share- based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share based Payment” at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.4 Business combinations (Continued)

(b) Business combination not involving entities under common control (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement year adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement year adjustments are adjustments that arise from additional information obtained during the ‘measurement year’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement year adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9, or HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement year (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent years.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.6 Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year in which the investment is acquired.

The requirements of HKFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity of the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from change in fair value of investment properties are included in profit or loss in the year in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Upon the transfer of an item from investment properties to property, plant and equipment because its use has changed due to owner-occupation, the fair value of the item as at the date of transfer is recognised as cost and subsequently depreciated over its estimated remaining useful life.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.8 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, costs transferred from construction in progress, any directly attributable costs of bringing the asset to its working condition and location for its intended use, as well as interest charges relating to funds borrowed during the years of construction, installation and testing. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The estimated useful life used for this purpose is as follows:

Leasehold improvements	Over the remaining terms of lease
Vessels	22-30 years (note)
Machinery and equipment	3-5 years
Motor vehicles	8 years
Buildings	8-40 years

Note: Used vessel acquired is depreciated over its estimated remaining useful life.

Upon acquisition of a vessel, the components of the vessel which are required to be replaces at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dar-docking date.Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date.When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.8 Property, plant and equipment and depreciation (Continued)

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress mainly represents the construction or renovation of vessels, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the years of construction, installation and testing. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. No provision for depreciation is made on construction in progress until such time when the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.9 Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.9 Impairment of non-financial assets (other than goodwill) (Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the year in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.10 Investments and other financial assets

(i) Classification

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.10 Investments and other financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.10 Investments and other financial assets (Continued)

(iv) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 24 for further details.

2.11 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.11 Derecognition of financial assets (Continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.12 Inventories

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

2.13 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 24 for further information about the Group's accounting for trade receivables and note 4.5 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted to use.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.15 Financial liabilities at amortized cost

Financial liabilities, including trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, other loans, obligations under finance leases and bonds payable, are initially recognised at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method, except when the effect of discounting would be insignificant in which case, they are carried at cost.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortization process.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter year. Interest expense is recognised on an effective interest basis.

2.16 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2.17 Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as interest rate swap agreements to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.17 Derivative financial instruments and hedging (Continued)

The fair value of interest rate swap agreements is determined by reference to the present value of estimated future cash flows.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.17 Derivative financial instruments and hedging (Continued)

Embedded derivatives (Continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised immediately in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2.18 Revenue recognition

(a) *Revenue from contracts with customers*

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.18 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortized when the related revenue is recognised. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost.

Contract liabilities are recognised for advance from customers with contracts.

The Group do not have any significant variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonuses or royalties. Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

The Group assesses, and includes in the transaction price at contract inception, the amount of variable, consideration to which it expects to be entitled. There is no material contract fulfillment cost or cost of obtaining contracts of the Group.

The following is a description of accounting policy for the revenue streams of the Group:

(i) Revenue from oil shipment

Freight revenue from oil shipment is mainly derived from the operation of international and domestic oil transportation business on voyage charter, recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(ii) Revenue from vessel chartering

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.18 Revenue recognition (Continued)

(b) Other revenue

(i) rental income arising from assets leased out under operating leases are recognised on a straight-line basis over the year of each lease;

(ii) interest income, on an accrual basis using the effective interest method;

(iii) dividend income, when the shareholders' right to receive payment has been established.

2.19 Borrowings

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

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

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.20 Leases

Lease are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.20 Leases (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.21 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, OCI or in equity if it relates to items that are recognised in the same or a different year directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.21 Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These consolidated financial statements are presented in RMB, which is the Group's presentation currency and Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.22 Foreign currency translation (Continued)

(c) *Translation for foreign operations*

For the foreign operations, the Company translated all items into reporting currency – RMB. All the assets and liabilities at the end of the reporting period are translated into RMB at the market rates of exchange prevailing as at that date. The equity accounts except for the "undistributed profits" are translated into RMB at the exchange rate on the date of occurrence. Income and expenses are translated at average exchange rates. The translation difference between the assets, liabilities and equity is listed as a separate item under "undistributed profits". Foreign exchange gains and losses resulting from the settlement of transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.23 Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.24 Government subsidies

Subsidies from the government are recognised at their fair value when there is a reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Subsidies relating to income are deferred and recognised in profit or loss over the year necessary to match them with the costs they are intended to compensate, otherwise subsidies with no future related costs are recognised as income in the year in which they become receivable.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.26 Trade and bills payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and bills payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.27 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.27 Provisions (Continued)

Provision for onerous contracts

Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfill the contract.

2.28 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Bonus entitlements*

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

(c) *Housing funds*

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.28 Employee benefits (Continued)

(d) Retirement benefit costs

(i) Defined contribution retirement plans

For employees in the PRC, the Group contributes to a defined contribution retirement scheme managed by the local municipal government in the PRC. The local municipal government in the PRC undertakes to assume the retirement benefit obligations payable to the qualified employees in the PRC for post-retirement benefits beyond the contributions made. The Group's contributions to the retirement scheme are expensed as incurred.

For Hong Kong employees, the Group contributes to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") in accordance with Hong Kong Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme by the Group and its employees are calculated as a percentage of employees' remuneration received. The Group's contributions to the MPF Scheme are expensed as incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(ii) Defined benefit retirement plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/income on the net defined benefit liability/asset are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current year. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.28 Employee benefits (Continued)

(d) Retirement benefit costs (Continued)

(ii) Defined benefit retirement plans (Continued)

Net interest expense for the year is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/asset. The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability).

(e) Enterprise annuity

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

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; (b) when the Group recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.28 Employee benefits (Continued)

(g) Housing subsidies

The Group has provided one-off cash housing subsidies based on the PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred. The liabilities recognised in the consolidated statement of financial position is the present value of the obligation of the one-off housing subsidies at the end of the reporting period and the past-service costs are recognised immediately in profit or loss.

(h) Share-based compensation

The Company operates an equity-settled, share-based compensation plan and provides equity compensation benefit, in the form of share options, to the Directors and employees of the Company and the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.29 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision makers for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.30 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments include cash and cash equivalents, derivative financial instruments and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and contract assets and trade and bills payables, which arise directly from its operations.

The Group also enters into interest rate swap transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Management regularly manages the financial risks of the Group. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk

(i) Foreign currency risk

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

As at 31 December 2021, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the year would have been RMB38,187,000 higher/lower (31 December 2020: RMB12,173,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables, payables and borrowings.

(ii) Interest rate risk

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

As at 31 December 2021, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB99,926,000 lower/higher (31 December 2020: RMB93,214,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

(iii) Price risk

As at 31 December 2021, the Group's financial assets at FVOCI amounted to RMB506,240,000 (31 December 2020: RMB462,317,000) as disclosed in note 21 to the consolidated financial statements are measured at fair value at the end of each reporting period. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stockholding decisions.

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and contract assets and impairment of other receivables as set out in note 24 to the consolidated financial statements.

As at 31 December 2021, trade and bills receivables due from the top five debtors amounted to RMB137,870,000 (31 December 2020: RMB343,598,000), representing 37% (31 December 2020: 51%) of the total trade and bills receivables.

The Group has provided lease and corporate guarantees relating to the time charter agreements, ship buildings contracts and bank borrowings in respect of certain associates and joint ventures in their ordinary course of business. The Group controls its credit risk to non-performance by its counterparties through monitoring the credit rating of these counterparties. As at 31 December 2021, the Directors are of the opinion that the credit risk is minimal as the associates and joint ventures have good credit standing.

As at 31 December 2021 and 31 December 2020, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and several non-bank financial institutions which are related parties of the Group. In view of strong state support provided to those government-related financial institutions, the Directors are of the opinion that there is no significant credit risk on such assets being exposed.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows, except that the amount for derivative financial instruments is the fair value.

	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000	Total RMB'000
At 31 December 2021				
Trade and bills payables	**1,780,544**	**–**	**–**	**1,780,544**
Financial liabilities included in other payables and accruals (excluding interest payable)	**904,171**			**904,171**
Interest payable in relation to borrowings and bonds	**81,264**	**–**	**–**	**81,264**
Derivative financial instruments	**–**	**–**	**556,105**	**556,105**
Lease liabilities	**388,016**	**386,893**	**1,060,288**	**1,835,197**
Interest-bearing bank and other borrowings	**8,043,459**	**1,588,628**	**13,543,272**	**23,175,359**
Other loans	**94,167**	**92,959**	**1,051,328**	**1,238,454**
Bonds payable	**2,586,917**	**–**	**–**	**2,586,917**
	13,878,538	**2,068,480**	**16,210,993**	**32,158,011**
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	126,800	2,586,917	–	2,713,717
	10,415,232	5,792,699	17,719,217	33,927,148

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2021				
Financial assets:				
Financial assets at FVOCI	**506,240**	**–**	**–**	**506,240**
Financial liabilities:				
Derivative financial instruments	**–**	**556,105**	**–**	**556,105**
At 31 December 2020				
Financial assets:				
Financial assets at FVOCI	462,317	–	–	462,317
Financial liabilities:				
Derivative financial instruments	–	847,983	–	847,983

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

During the year ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

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

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

The carrying amounts of the Group's financial assets and liabilities carried at amortized cost are not materially different from their fair values as at 31 December 2021 and 31 December 2020.

3. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group's net debt-to-equity ratio as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total debts	**25,463,130**	26,034,274
Less: cash and cash equivalents	**(3,523,889)**	(4,869,963)
Net debt	**21,939,241**	21,164,311
Total equity	**29,922,283**	35,602,346
Net debt-to-equity ratio	**73%**	59%

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.1 Impairment of vessels

The Group's major operating assets represent vessels in property, plants and equipment and right-of-use assets. Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable. If there is any indication of impairment of an asset, its recoverable amount shall be estimated.

The recoverable amount shall be determined based on the higher of the net fair value of the asset after deducting disposal costs ("**FVLCD**") and the present value of the expected future cash flow ("**VIU**") of the asset. In case that the recoverable amount of the asset group is lower than the book value, the amount representing the difference between the recoverable amount of the asset group and the book value is recognized as asset impairment.

Determination of recoverable amounts of vessels, which is higher of FVLCD and VIU, involves significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("**TCE**") rates, cost inflation rates and discount rates applied to the future cash flows forecasts which have been prepared according to the asset grouped at the lowest level (cash-generating units).

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Freight revenue for vessel voyages in progress at year end

The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information.

4.3 Estimated useful lives and residual values of vessels

The Group's major operating assets represent vessels. Management determines the estimated useful lives, residual values and related depreciation expenses for vessels. Management estimates useful lives of vessels by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its vessels by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of vessels are different from the previous estimate.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2021 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased by RMB277,013,000 (for the year ended 31 December 2020: RMB266,605,000) or increased by RMB338,571,000 (for the year ended 31 December 2020: RMB325,851,000) for the year ended 31 December 2021.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2021 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by RMB57,598,000 (for the year ended 31 December 2020: RMB43,865,000) for the year ended 31 December 2021.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.4 Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the year in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (see note 22).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2021 would have been increased by the same amount of RMB564,400,000 (31 December 2020: RMB616,956,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (see note 22).

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.5 Provision for impairment losses on trade and other receivables, contract assets and loan receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12 month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

As at 31 December 2021, allowance for trade and other receivables, contract assets and loan receivables amounted to RMB20,013,000 (31 December 2020: RMB54,637,000).

5. 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 categorized 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 other business segments.

5. 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 year is set out as follows:

	For the year ended 31 December			
	2021		2020	
	Revenues RMB'000	**Contribution RMB'000**	Revenues RMB'000	Contribution RMB'000
By principal activity:				
Oil shipment				
– Oil shipment	**10,573,854**	**(3,988,708)**	13,608,089	3,013,119
– Vessel chartering	**839,744**	**(752,257)**	1,352,838	193,330
	11,413,598	**(4,740,965)**	14,960,927	3,206,449
LNG	**1,231,102**	**651,496**	1,266,743	662,585
Others	**–**	**–**	40,527	12,610
	12,644,700	**(4,089,469)**	16,268,197	3,881,644
Other income and gains, net		**403,695**		12,100
Marketing expenses		**(50,335)**		(56,192)
Administrative expenses		**(905,495)**		(811,088)
Reversal of impairment losses on financial and contract assets		**33,777**		5,508
Other expenses		**(61,824)**		(25,925)
Share of profits of associates		**254,727**		247,150
Share of profits of joint ventures		**714,288**		690,558
Finance costs		**(826,672)**		(1,039,721)
(Loss)/profit before tax		**(4,527,308)**		2,904,034

5. REVENUES AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

The Group's revenues for the year 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 the gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior management), marketing expenses, reversal of 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 resource allocation and performance assessment.

During the years ended 31 December 2021 and 2020, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total segment assets		
Oil shipment	**44,418,031**	51,845,833
LNG	**13,973,544**	13,117,400
Others	**997,362**	996,624
	59,388,937	65,959,857
Total segment liabilities		
Oil shipment	**21,135,306**	21,361,993
LNG	**8,324,540**	8,990,598
Others	**6,808**	4,920
	29,466,654	30,357,511

As at 31 December 2021, the total net carrying amount of the Group's oil tankers and LNG vessels were RMB33,120,413,000 (31 December 2020: RMB37,623,611,000) and RMB7,829,086,000 (31 December 2020: RMB8,304,052,000) respectively.

5. REVENUES AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the year ended 31 December			
	2021		2020	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area:				
Domestic	**5,669,946**	**762,204**	5,425,735	1,498,852
International	**6,974,754**	**(4,851,673)**	10,842,462	2,382,792
	12,644,700	**(4,089,469)**	16,268,197	3,881,644

Other information

	Oil shipment	**LNG**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Year ended 31 December 2021				
Additions to non-current assets	**2,223,600**	**374,921**	**–**	**2,598,521**
Depreciation and amortization	**2,538,158**	**289,065**	**4,437**	**2,831,660**
Impairment of vessels	**4,961,450**	**–**	**–**	**4,961,450**
Gains on disposal of property, plant and equipment, net	**22,275**	**–**	**–**	**22,275**
Interest income	**28,624**	**25,200**	**5**	**53,829**
Year ended 31 December 2020				
Additions to non-current assets	4,380,960	386,539	–	4,767,499
Depreciation and amortization	2,693,251	307,852	3,340	3,004,443
Impairment of vessels	840,941	–	–	840,941
Gains/(losses) on disposal of property, plant and equipment, net	1,076	(9)	–	1,067
Interest income	74,541	26,543	560	101,644

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2021 and 2020.

6. OTHER INCOME AND GAINS, NET

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income		
Government subsidies (note)	**328,375**	39,993
Interest income from loan receivables	**34,583**	45,019
Bank interest income	**19,246**	56,625
Dividends received from financial assets at FVOCI	**13,010**	12,675
Rental income from investment properties	**328**	1,056
Others	**(4,675)**	(9,616)
	390,867	145,752
Other gains/(losses)		
Losses on disposal of shares in subsidiaries	**–**	(40,504)
Losses on disposal of investment properties, net	**–**	(3,513)
Exchange losses, net	**(14,559)**	(104,834)
Gains on disposal of property, plant and equipment, net	**22,275**	1,067
Others	**5,112**	14,132
	12,828	(133,652)
	403,695	12,100

Note: The government subsidies mainly represent the subsidies granted for business development purpose, and refund of tax. There were no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**480,621**	744,259
– corporate bonds	**129,253**	129,147
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**123,240**	111,471
– lease liabilities	**78,444**	98,678
– exchange loss/(gain), net	**15,114**	(43,834)
	826,672	1,039,721

During the year, no interest expense is capitalised (for the year ended 31 December 2020: nil).

8. PROFIT BEFORE TAX

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	**4,010,162**	3,881,596
Others (including vessels depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	**12,724,007**	7,664,016
	16,734,169	11,545,612
Staff costs (including emoluments of directors, supervisors and management (note 10)):		
Wages, salaries, crew expenses and related expenses (including bonus and share-based payments)	**3,137,605**	2,711,566
Costs for defined benefit plan (note 33)	**24,979**	2,700
Pension scheme contributions	**34,863**	3,924
Total staff costs	**3,197,447**	2,718,190
Auditor's remuneration	**7,476**	7,400
– Audit services	**5,760**	6,400
– Non-audit services	**1,716**	1,000
Impairment of vessels*	**4,961,450**	840,941
Depreciation of property, plant and equipment	**2,551,810**	2,450,935
Depreciation and amortization of right-of-use assets	**279,850**	553,508
Dry-docking and repairs	**432,787**	587,119
Reversal of impairment losses on trade receivables and contract assets	**(5,760)**	(19,414)
(Reversal of)/provision for impairment losses on other receivables	**(28,017)**	13,906

* Affected by the repeated outbreak of the epidemic and the frequent mutation of virus strains, the oil transportation market continued to be sluggish and the recovery was sluggish. At the same time, international organizations such as the International Maritime Organization formally issued the carbon emission reduction requirements in the form of the convention, whose timetable, quantitative standards, measures and guidelines have been widely recognized, so that the pressure of tanker fleet technical transformation, operational efficiency and other aspects increase greatly. In summary, management believes that there are obvious indications of impairment of 94 vessels.

The impairment loss is included in cost of shipping service in the statement of profit or loss.

9. INCOME TAX EXPENSE

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

	Note	For the year ended 31 December 2021 RMB'000	2020 RMB'000
Current income tax			
PRC			
– provision for the year	(i)	**124,324**	255,381
– adjustments for current tax of prior periods		**(5,710)**	2,155
Hong Kong			
– provision for the year		**964**	713
Other districts			
– provision for the year	(ii)	**686**	1,398
		120,264	259,647
Deferred tax		**19,536**	12,943
Total income tax expense		**139,800**	272,590

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (for the year ended 31 December 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.

9. INCOME TAX EXPENSE (Continued)

(b) **The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:**

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit before tax	**(4,527,308)**	2,904,034
Calculated at a tax rate of 25% (for the year ended 31 December 2020: 25%)	**(1,131,827)**	726,008
Adjustments for current tax of prior periods	**(5,710)**	2,155
Tax effect of share of profits of associates	**(63,682)**	(61,788)
Tax effect of share of profits of joint ventures and dividends received	**(49,252)**	(38,307)
Tax effect of income not subject to tax	**(7,864)**	(65,538)
Tax effect of expenses not deductible for tax	**11,907**	9,679
Tax effect of unused tax losses not recognised	**229,469**	4,420
Tax effect of temporary differences not recognised	**928,936**	198,228
Tax effect of utilisation of tax losses previously not recognised	**(21,980)**	(384,442)
Different tax rates of subsidiaries operating in other jurisdictions	**249,803**	(117,825)
Income tax expense	**139,800**	272,590

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of directors, supervisors and senior management are disclosed as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Independent non-executive directors (note 10(a))		
– fees	**1,239**	1,173
Executive and non-executive directors (excluded independent non-executive directors) (note 10(b))		
– salaries, allowances and benefits in kind	**1,510**	1,258
– discretionary bonus	**2,397**	5,029
– pension scheme contributions	**126**	8
– share-based payment expenses	**191**	353
	4,224	6,648
Supervisors (note 10(b))		
– salaries, allowances and benefits in kind	**2,582**	1,712
– discretionary bonus	**3,164**	2,335
– pension scheme contributions	**171**	8
	5,917	4,055
Senior management		
– salaries, allowances and benefits in kind	**3,741**	3,091
– discretionary bonus	**5,870**	11,915
– pension scheme contributions	**357**	24
– share-based payment expenses	**510**	822
	10,478	15,852
Total	**21,858**	27,728

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

Certain senior management are also executive directors and supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive directors and supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

For the year ended 31 December 2021, no share option was exercised.

Details and movements of share options are set out in note 34 to the consolidated financial statements.

(a) Details of the fees paid to each of the independent non-executive directors during the year were as follows:

		For the year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Mr. Ruan Yongping		**–**	75
Mr. Ip Sing Chi		**–**	150
Mr. Rui Meng	(i)	**155**	311
Mr. Teo Siong Seng		**325**	308
Mr. Victor Huang		**325**	161
Mr. Li Runsheng		**171**	84
Mr. Zhao Jinsong		**171**	84
Mr. Wang Zuwen	(ii)	**92**	–
		1,239	1,173

Note:

(i) Resigned on 30 June 2021.

(ii) Appointed on 30 June 2021.

There were no other emoluments payable to the independent non-executive directors during the year (for the year ended 31 December 2021: RMBnil).

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

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows:

	Fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension Scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Year ended 31 December 2021						
Executive directors						
Mr. Liu Hanbo	–	530	912	39	102	1,583
Mr. Ren Yongqiang	–	332	310	30	–	672
Mr. Zhu Maijin	–	648	1,175	57	89	1,969
	–	1,510	2,397	126	191	4,224
Non-executive directors						
Mr. Feng Boming	–	–	–	–	–	–
Mr. Zhang Wei	–	–	–	–	–	–
Ms. Lin Honghua	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Mr. Yang Lei	–	–	–	–	–	–
Mr. Zeng Xiangfeng (i)	–	781	1,010	57	–	1,848
Mr. Xu Yifei	–	1,022	1,129	57	–	2,208
Ms. An Zhijuan	–	779	1,025	57	–	1,861
Mr. Weng Yi	–	–	–	–	–	–
	–	2,582	3,164	171	–	5,917

Note:

(i) Appointed on 2 July 2021

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

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows: (Continued)

	Fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension Scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Year ended 31 December 2020						
Executive directors						
Mr. Liu Hanbo	–	673	2,616	4	188	3,481
Mr. Zhu Maijin	–	585	2,413	4	165	3,167
	–	1,258	5,029	8	353	6,648
Non-executive directors						
Mr. Feng Boming	–	–	–	–	–	–
Mr. Zhang Wei	–	–	–	–	–	–
Ms. Lin Honghua	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Mr. Yang Lei	–	–	–	–	–	–
Mr. Xu Yifei	–	953	1,237	4	–	2,194
Ms. An Zhijuan	–	759	1,098	4	–	1,861
Mr. Weng Yi	–	–	–	–	–	–
	–	1,712	2,335	8	–	4,055

Note:

There were no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

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

(c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2020: Nil).

(d) Directors' termination payments or benefits

No payment was made or benefit provided to directors as compensation for the early termination of the appointment or in respect of termination of the services of directors during the year (2020: Nil).

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

No consideration was provided to or receivable by any third party for making available the services of a person as a director of a company, or in any other capacity while as a director (2020: Nil).

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

There are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the year (2020: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one (for the year ended 31 December 2020: two) directors and three (for the year ended 31 December 2020: none) supervisor, details of whose emoluments are set out in note 10 to the consolidated financial statements. Details of the emoluments of the remaining one (for the year ended 31 December 2020: three) highest paid non-director and non-supervisor individuals for the year were as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**757**	1,623
Discretionary bonus	**988**	6,157
Pension scheme contributions	**57**	12
Share-based payment expenses	**63**	503
	1,865	8,295

The emoluments of the one (for the year ended 31 December 2020: three) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals For the year ended 31 December	
	2021	2020
RMB1,635,200 to RMB2,044,000 (2020: RMB1,778,560 to RMB2,223,200) (equivalent to HKD2,000,000 to HKD2,500,000)	**1**	–
RMB2,044,000 to RMB2,452,800 (2020: RMB2,223,200 to RMB2,667,840) (equivalent to HKD2,500,001 to HKD3,000,000)	**–**	3
RMB2,452,800 to RMB2,861,600 (2020: RMB2,667,840 to RMB3,112,180) (equivalent to HKD3,000,001 to HKD3,500,000)	**–**	–

During the year, no remuneration were paid by the Group to any of the Directors, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (for the year ended 31 December 2020: RMB nil).

12. DIVIDENDS

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Final dividend for 2020 – RMB0.2 (31 December 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 of and a total amount of RMB952,538,000 was paid during the year.

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2021.

13. EARNINGS PER SHARE

(a) Basic

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(4,985,386)**	2,381,415
Weighted average number of ordinary shares in issue (thousand)	**4,762,692**	4,580,027
Basic (loss)/earnings per share (RMB cents/share)	**(104.68)**	52.00

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

13. EARNINGS PER SHARE (Continued)

(b) Diluted

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.

	For the year ended 31 December	
	2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(4,985,386)**	2,381,415
Weighted average number of ordinary shares in issue (thousand)	**4,762,692**	4,580,027
Adjustments for share options (thousand)	**–**	3,159
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**4,762,692**	4,583,186
Diluted (loss)/earnings per share (RMB cents/share) (Note)	**(104.68)**	51.96

Note: The amount of diluted loss per share is the same as basic loss per share for the year ended 31 December 2021 as the effect of share options is anti-dilutive.

14. INVESTMENT PROPERTIES

As at 31 December 2021 and 31 December 2020, the Group's properties are leased to other parties under operating leases to earn rental income and are measured using the fair value model. As a result, these properties are classified and accounted for as investment properties. Movements of the investment properties during the year are set out below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
At the beginning of the year	**10,387**	50,714
Disposals	**–**	(36,814)
Net loss on revaluation recognised in profit or loss	**–**	(3,513)
At the end of the year	**10,387**	10,387

The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease. As at 31 December 2021 and 31 December 2020, the fair value of their investment properties is based on level 2 fair value hierarchy.

During the year, the Group reclassified some commercial building from property, plant and equipment to investment properties. The fair value of the investment properties as at 31 December 2021 and 31 December 2020 have been arrived at on the basis of a valuation carried out by independent valuers. The fair value of these investment properties was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of these investment properties, the highest and best use of these investment properties is their current use. There has been no change from the valuation technique used in prior years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2021							
Cost							
At 1 January 2021	41,518	65,371,469	49,938	23,710	1,503,815	1,240,465	68,230,915
Additions	–	–	1,321	–	–	2,596,906	2,598,227
Transfer in/(out)	–	2,731,506	7,528	–	–	(2,739,034)	–
Disposals	–	(116,191)	(12,640)	(3,748)	(44,418)	–	(176,997)
Currency translation differences	–	(818,072)	(90)	(13)	–	(15,388)	(833,563)
At 31 December 2021	41,518	67,168,712	46,057	19,949	1,459,397	1,082,949	69,818,582
Accumulated depreciation and impairment							
At 1 January 2021	31,940	19,443,806	31,922	18,866	207,237	–	19,733,771
Charge for the year	3,281	2,492,472	6,437	981	48,639	–	2,551,810
Disposals	–	(81,397)	(12,384)	(3,329)	(20,763)	–	(117,873)
Currency translation differences	–	(203,637)	(78)	(13)	–	–	(203,728)
Impairment loss	–	4,567,969	–	–	–	–	4,567,969
At 31 December 2021	35,221	26,219,213	25,897	16,505	235,113	–	26,531,949
Net book amount							
At 31 December 2021	6,297	40,949,499	20,160	3,444	1,224,284	1,082,949	43,286,633
At 31 December 2020	9,578	45,927,663	18,016	4,844	1,296,578	1,240,465	48,497,144

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

In 2021, due to the severe downturn in the oil shipping market, the introduction of environmental protection policies to shipping companies and the establishment of specific plan requirements, the future earnings of the Company's fleet will be greatly affected, and there are signs of impairment. The Company engaged China Tong Cheng Assets Appraisal Co., Ltd. to conduct valuation as a reference to determine the recoverable amount of the asset group based on the higher of FVLCD and VIU of the asset.

As at 31 December 2021, the valuation benchmark date, the book value before appraisal of asset group with impairment indication is approximately RMB38,165,051,000, and the recoverable amount after appraisal is approximately RMB33,203,601,000, which representing the VIU of those assets, were as follows:

	Book value RMB'000	Recoverable amount RMB'000
Trade vessels	38,025,123	33,073,542
Floating storage vessels	139,928	130,059

Approach used to determining recoverable amount

Under the FVLCD method, the fair value of a vessel is determined using the market approach and based on recent transactions of the same or similar assets in the market.

Under the VIU method, the discounted cash flow method is used to calculate the present value of future cash flows. The present value of cash flow of the assessed vessel assets was discounted with reference to the expected net cash flow in respective future years based on the historical operating costs and expenses of the vessels. The discount rate before tax used is 10.78%.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020							
Cost							
At 1 January 2020	41,515	63,119,853	54,460	33,337	1,766,278	1,327,075	66,342,518
Additions	183	–	1,305	178	–	4,765,833	4,767,499
Transfer in/(out)	–	4,815,227	4,898	–	–	(4,820,125)	–
Disposals	–	(53,944)	(10,287)	(7,841)	(261,527)	–	(333,599)
Disposal of subsidiaries	–	(252,905)	(174)	(1,923)	(936)	–	(255,938)
Currency translation differences	(180)	(2,256,762)	(264)	(41)	–	(32,318)	(2,289,565)
At 31 December 2020	41,518	65,371,469	49,938	23,710	1,503,815	1,240,465	68,230,915
Accumulated depreciation and impairment							
At 1 January 2020	28,814	16,889,935	34,909	25,077	202,889	–	17,181,624
Charge for the year	3,306	2,386,841	6,283	1,450	53,055	–	2,450,935
Disposals	–	(44,538)	(8,879)	(6,102)	(47,825)	–	(107,344)
Disposal of subsidiaries	–	(148,501)	(174)	(1,520)	(882)	–	(151,077)
Currency translation differences	(180)	(480,872)	(217)	(39)	–	–	(481,308)
Impairment loss	–	840,941	–	–	–	–	840,941
At 31 December 2020	31,940	19,443,806	31,922	18,866	207,237	–	19,733,771
Net book amount							
At 31 December 2020	9,578	45,927,663	18,016	4,844	1,296,578	1,240,465	48,497,144
At 31 December 2019	12,701	46,229,918	19,551	8,260	1,563,389	1,327,075	49,160,894

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2021, the Group's certain vessels are leased to other parties under operating leases. Further details of the vessels under operating lease arrangements are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cost	**16,590,874**	19,056,351
Accumulated depreciation	**(3,883,155)**	(2,875,707)
Net carrying amount	**12,707,719**	16,180,644

Further details of the Group's operating lease arrangements as lessee are disclosed in note 16 to the consolidated financial statements.

As at 31 December 2021, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see note 30).

During the year, no interest expense (for the year ended 31 December 2020: RMB nil) were capitalised in vessel costs.

16. LEASE

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Right-of-use assets		
Vessels	**877,587**	1,639,153
Prepaid land lease payments*	**32,325**	43,096
Properties	**5,901**	8,475
	915,813	1,690,724
Lease liabilities		
Current	**325,796**	325,126
Non-current	**1,329,584**	1,699,996
	1,655,380	2,025,122

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

Additions to the right-of-use assets for the year ended 31 December 2021 were RMB294,000 (for the year ended 31 December 2020: RMB nil).

16. LEASE (Continued)

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

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
Vessels	**275,435**	547,761
Properties	**2,842**	3,748
Prepaid land lease payments	**1,573**	1,947
Motor vehicles	**–**	52
	279,850	553,508
Impairment loss	**393,481**	–
Interest expense (included in finance cost)	**78,444**	98,678
Expense relating to short-term leases	**17,226**	13,503

The total cash outflow for leases in 2021 was RMB342,343,000 (2020: RMB660,575,000).

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

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

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

(iv) Extension and termination options

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

17. GOODWILL

There were two cash generating units ("**CGU**") in the year related to oil transportation and vessel chartering services. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on a value in use calculation separately prepared for goodwill impairment assessment relating to Guangzhou Sanding Oil-Shipping Co., Ltd. of RMB58,168,000 (31 December 2020: RMB58,168,000) and COSCO PetroChina SHIPPING Co., Ltd. ("**COSCO PetroChina SHIPPING**") of RMB15,157,000 (31 December 2020: RMB15,157,000). That calculation uses cash flow projections based on the most recent financial budgets of 5 years approved by management, cash flows beyond the 5-year-on-year are extrapolated using nil growth rate, and a discount rate of 9.5% (31 December 2020: 9.5%). The growth rate for the extrapolation year is based on management's best estimates with consideration of both internal and external factors relating to the CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these subsidiaries to exceed their recoverable amount.

18. INVESTMENTS IN ASSOCIATES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	**1,911,174**	1,937,197
Goodwill	**835,105**	835,105
	2,746,279	2,772,302

18. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 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
			31 December 2021	31 December 2020	**31 December 2021**	31 December 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
TRADEGO.PTE.LTD. ("**TRADEGO**")	Singarpore/Limited liability company	USD1,650,001	**11%**	–	**10%**	–	Development Of Other Software and Programming Activities N.E.C

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

18. INVESTMENTS IN ASSOCIATES (Continued)

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

	Shanghai Beihai	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets	**2,298,590**	2,097,207
Current assets	**490,285**	849,045
Non-current liabilities	**(203,350)**	(363,840)
Current liabilities	**(247,975)**	(139,906)
Net assets	**2,337,550**	2,442,506
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**935,020**	977,002
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,770,125**	1,812,107

	2021 RMB'000	2020 RMB'000
For the year ended 31 December		
Revenues	**1,663,545**	1,589,050
Profit for the year	**513,320**	559,277
Other comprehensive loss	**(2,739)**	–
Total comprehensive income for the year	**510,581**	559,277
Dividends received from the associate	**240,000**	160,000

18. INVESTMENTS IN ASSOCIATES (Continued)

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

	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**976,154**	960,195
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	**55,613**	25,484
Other comprehensive (loss)/income	**(18,422)**	17,535
Total comprehensive income for the year	**37,191**	43,019

19. INVESTMENTS IN JOINT VENTURES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	**3,649,019**	2,809,277
Goodwill	**477,105**	477,105
	4,126,124	3,286,382

19. INVESTMENTS IN JOINT VENTURES (Continued)

As at 31 December 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
			31 December 2021	31 December 2020	
China LNG Shipping (Holdings) Limited ("**CLNG**")	Hong Kong/Limited liability company	USD513,439,182	**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	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Orange LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Yellow LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Indigo LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Gold LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding
Arctic Silver LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding
Arctic Bronze LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	–	Vessel holding

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

19. INVESTMENTS IN JOINT VENTURES (Continued)

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

	CLNG	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets	**7,584,472**	7,507,246
Current assets	**790,393**	726,638
Cash and cash equivalents	**680,535**	716,826
Other current assets	**109,858**	9,812
Non-current liabilities	**(2,405,551)**	(2,808,972)
Current liabilities	**(526,827)**	(530,404)
Net assets	**5,442,487**	4,894,508
Non-controlling interests	**(941,364)**	(923,704)
	4,501,123	3,970,804
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets	**2,250,561**	1,985,402
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint venture	**2,727,666**	2,462,507

19. INVESTMENTS IN JOINT VENTURES (Continued)

For the year ended 31 December	**2021**	2020
	RMB'000	RMB'000
Revenues	**980,995**	1,050,461
Profit for the year	**1,058,598**	1,121,688
Other comprehensive loss	**130,096**	(219,329)
Total comprehensive income for the year	**1,188,694**	902,359
Dividends received from the joint ventures	**243,668**	279,685

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

	2021	2020
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**1,398,458**	823,875
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	**270,510**	219,754
Other comprehensive (loss)/income	**(83,668)**	17,843
Total comprehensive income for the year	**186,842**	237,597

20. LOAN RECEIVABLES

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Loans to associates	(i)	**345,757**	383,124
Loans to joint ventures	(ii)	**879,773**	900,464
		1,225,530	1,283,588
Less: current portion		**(27,912)**	(38,561)
Non-current portion		**1,197,618**	1,245,027

Note:

(i) As at 31 December 2021, loans to associates are unsecured, interest-bearing at approximately 5.83% to 6.63% 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 31 December 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 are completed.

As at 31 December 2021 and 31 December 2020, all loan receivables are denominated in USD.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Equity investments at fair value through other comprehensive income

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Listed equity investments in the PRC	**506,240**	462,317
Unlisted equity investments	**–**	–
	506,240	462,317

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

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

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Gain recognised in other comprehensive income	**32,942**	52,594

22. DEFERRED TAX ASSETS AND LIABILITIES

(a) Components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year 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	–	42,776	–	42,776
At 1 January 2021	**–**	**42,776**	**–**	**42,776**
Charge to profit or loss	**–**	**(2,389)**	**–**	**(2,389)**
At 31 December 2021	**–**	**40,387**	**–**	**40,387**

22. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	Revaluation of investment properties RMB'000	Fair value change onFVOCI RMB'000	Unremitted earnings RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	4,438	90,405	92,314	236,372	4,947	428,476
Charge/(credit) to profit or loss	(1,782)	–	25,838	(13,219)	(283)	10,554
Charge/(credit) to other comprehensive income	(1,519)	17,531	–	–	–	16,012
Exchange realignment	–	–	–	–	(25)	(25)
At 31 December 2020	1,137	107,936	118,152	223,153	4,639	455,017
At 1 January 2021	**1,137**	**107,936**	**118,152**	**223,153**	**4,639**	**455,017**
Charge/(credit) to profit or loss	**58**	**–**	**73,453**	**(55,991)**	**(373)**	**17,147**
Charge/(credit) to other comprehensive income	**–**	**10,980**	**–**	**–**	**–**	**10,980**
Exchange realignment	**–**	**–**	**–**	**–**	**(5)**	**(5)**
At 31 December 2021	**1,195**	**118,916**	**191,605**	**167,162**	**4,261**	**483,139**

22. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deferred tax assets	**40,387**	42,776
Deferred tax liabilities	**(483,139)**	(455,017)
	(442,752)	(412,241)

As at 31 December 2021, deferred tax asset in respect of tax losses of RMB1,222,931,000 (31 December 2020: RMB1,528,480,000), which will expire within five years, has not been recognised 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 31 December 2021, the unrecognised deferred income tax liabilities were RMB564,400,000 (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 Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2021 amounted to RMB2,257,602,000 (31 December 2020: RMB2,519,835,000).

23. INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Bunker oil inventories	**758,943**	620,825
Ship stores and spare parts	**254,260**	238,647
	1,013,203	859,472

24. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade and bills receivables from third parties	**369,222**	450,899
Trade receivables from a joint venture	**34**	35
Trade receivables from fellow subsidiaries	**998**	16,942
Trade receivables from related companies (note)	**7,718**	211,935
	377,972	679,811
Less: allowance for doubtful debts (note 24(b))	**(8,490)**	(11,302)
	369,482	668,509
Current contract assets relating to oil shipment contracts	**750,802**	636,761
Less: allowance (note 24(b))	**(1,641)**	(4,718)
Total contract assets	**749,161**	632,043

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

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

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

As at 31 December 2021, trade and bills receivables and contract assets of RMB207,988,000 (31 December 2020: RMB686,523,000) are denominated in USD.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 3 months	**285,553**	514,041
4 – 6 months	**41,029**	73,717
7 – 9 months	**18,713**	31,587
10 – 12 months	**10,454**	28,788
1 – 2 years	**12,120**	19,984
Over 2 years	**1,613**	392
	369,482	668,509

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

(b) Impairment of trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and Producer Price Index (PPI) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for both trade receivables and contract assets:

31 December 2021	Within 6 months RMB'000	7– 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Expected loss rate	0.50%	2.71%	22.24%	0.90%
Gross carrying amount- trade receivables	330,332	29,980	17,660	377,972
Gross carrying amount- contract assets	750,802	–	–	750,802
Loss allowance	5,391	812	3,928	10,131

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

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

31 December 2020	Within 6 months RMB'000	7– 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Expected loss rate	0.71%	4.10%	18.88%	1.22%
Gross carrying amount- trade receivables	591,738	62,956	25,117	679,811
Gross carrying amount- contract assets	636,761	–	–	636,761
Loss allowance	8,698	2,581	4,741	16,020

The closing loss allowances for trade receivables and contract assets as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables and Contract assets	
	31 December 2021 RMB'000	31 December 2020 RMB'000
At the beginning of the year	**16,020**	36,209
Impairment losses reversed	**(5,760)**	(19,414)
Disposal of subsidiaries	**–**	(322)
Exchange realignment	**(129)**	(453)
At the end of the year	**10,131**	16,020

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Prepayments	**61,042**	74,271
Deposits and other receivables	**381,528**	517,120
Due from fellow subsidiaries	**294,370**	163,110
Due from associates	**–**	1,725
Due from joint ventures	**750**	481
Due from related companies (note)	**57,458**	92,071
	795,148	848,778
Less: impairment of other receivables (note 25(a))	**(9,882)**	(38,617)
	785,266	810,161

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

The amounts due from fellow subsidiaries, associates, joint ventures and related companies are unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2021, prepayments, deposits and other receivables of RMB370,781,000 (31 December 2020: RMB315,565,000) are denominated in USD.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Impairment of other receivables

The movement of the impairment of other receivables during the year is as follows:

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**38,617**	27,104
Impairment losses (reversed)/recognised	**(28,017)**	13,906
Impairment losses written off	**–**	(64)
Exchange realignment	**(718)**	(2,329)
At the end of the year	**9,882**	38,617

Management makes periodic assessment on a portfolio basis on the recoverability of other receivables based on historical settlement records, past experiences and adjusts for forward looking information in determining the impairment of other receivables.

26. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Note	**31 December 2021**	31 December 2020
		RMB'000	RMB'000
Pledged bank deposits	(i)	**767**	764
Balances placed with CS Finance	(ii)	**1,946,333**	3,205,763
Unpledged bank balances and cash		**1,577,556**	1,664,200
Cash and cash equivalents		**3,523,889**	4,869,963
Total bank deposits and cash and cash equivalents		**3,524,656**	4,870,727

Note:

(i) Pledged bank deposits were held as security for general banking facilities granted by banks to the Group (see note 30) and other bank guarantees.

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

As at 31 December 2021, cash and cash equivalents of RMB1,902,184,000 (31 December 2020: RMB2,329,007,000) are denominated in USD.

27. TRADE AND BILLS PAYABLES

	31 December	31 December
	2021	2020
	RMB'000	RMB'000
Trade and bills payables to third parties	**960,141**	937,020
Trade payables to fellow subsidiaries	**787,821**	662,178
Trade payables to an associate	**6,259**	5,353
Trade payables to related companies (note)	**26,323**	5,553
	1,780,544	1,610,104

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

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

As at 31 December 2021, trade and bills payables of RMB879,196,000 (31 December 2020: RMB647,465,000) are denominated in USD.

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

	31 December	31 December
`	**2021**	2020
	RMB'000	RMB'000
Within 3 months	**1,547,398**	1,257,446
4 – 6 months	**58,657**	61,626
7 – 9 months	**37,475**	30,439
10 – 12 months	**9,833**	13,382
1 – 2 years	**112,179**	38,010
Over 2 years	**15,002**	209,201
	1,780,544	1,610,104

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

28. OTHER PAYABLES AND ACCRUALS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Accruals	**468,886**	425,431
Other payables	**210,953**	377,830
Due to fellow subsidiaries	**214,771**	271,463
Due to a joint venture	**3,483**	–
Due to an associate	**1,658**	–
Due to other related companies (note)	**–**	61,427
Due to ultimate holding company	**4,420**	–
	904,171	1,136,151

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

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

Other payables and accruals are non-interest-bearing and are normally settled in 1 to 3 months.

As at 31 December 2021, financial liabilities included in other payables and accruals of RMB325,089,000 (31 December 2020: RMB360,551,000) are denominated in USD.

29. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2021, the Group had interest rate swap agreements with total notional principal amount of approximately USD507,350,000(equivalent to RMB3,234,711,000) (31 December 2020: approximately USD527,507,000 (equivalent to 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.

For the year ended 31 December 2021, the floating interest rates of the bank borrowings were 3-month LIBOR plus 2.20% (31 December 2020: 3-month LIBOR plus 2.20%).

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

	Maturity	31 December 2021 RMB'000	31 December 2020 RMB'000
Current liabilities			
(i) Bank borrowings			
Secured	2022	**1,446,027**	1,303,003
Unsecured	2022	**6,168,409**	5,346,418
		7,614,436	6,649,421
(ii) Other borrowings			
Unsecured	2022	**33,000**	33,000
Interest-bearing bank and other borrowings – current portion		**7,647,436**	6,682,421
Non-current liabilities			
(i) Bank borrowings			
Secured	2023 to 2033	**11,959,656**	12,851,065
Unsecured	2024	**637,571**	848,237
		12,597,227	13,699,302
(ii) Other borrowings			
Unsecured	2023 to 2025	**69,850**	109,850
Interest-bearing bank and other borrowings – non-current portion		**12,667,077**	13,809,152

As at 31 December 2021, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2020: 45) vessels with total net carrying amount of RMB20,561,254,000 (31 December 2020: RMB23,326,942,000).

As at 31 December 2021, secured bank borrowings of RMB13,130,514,000 (31 December 2020: RMB14,033,368,000) and unsecured bank borrowings of RMB6,464,953,000 (31 December 2020: RMB6,194,655,000) are denominated in USD.

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

(b) As at 31 December 2021 and 31 December 2020, the interest-bearing bank and other borrowings were repayable as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
At 31 December 2021			
Current portion			
Within one year	**7,614,436**	**33,000**	**7,647,436**
Non-current portion			
In the second year	**1,188,535**	**33,000**	**1,221,535**
In the third to fifth years, inclusive	**3,833,361**	**36,850**	**3,870,211**
Over five years	**7,575,331**	**–**	**7,575,331**
	12,597,227	**69,850**	**12,667,077**
	20,211,663	**102,850**	**20,314,513**
At 31 December 2020			
Current portion			
Within one year	6,649,421	33,000	6,682,421
Non-current portion			
In the second year	2,242,145	33,000	2,275,145
In the third to fifth years, inclusive	3,357,472	76,850	3,434,322
Over five years	8,099,685	–	8,099,685
	13,699,302	109,850	13,809,152
	20,348,723	142,850	20,491,573

As at 31 December 2021, included in the current portion of other borrowings represent an amount of RMBnil (31 December 2020: RMBnil) and RMBnil (31 December 2020: RMBnil) which was borrowed from the Company's immediate holding company and ultimate holding company respectively.

31. OTHER LOANS

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Kantons International Investment Limited ("**Kantons International**")	(i)	**624,226**	669,128
Mitsui O.S.K. Lines, Ltd. ("**MOL**")	(ii)	**316,934**	337,237
Petrochina International Co., Limited ("**Petrochina International**")	(iii)	**13,563**	15,390
		954,723	1,021,755
Less: current portion		**(43,386)**	(44,562)
Non-current portion		**911,337**	977,193

Note:

(i) As at 31 December 2021, other loans amounted to RMB34,814,000 (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 31 December 2021, the loan is unsecured, interest-bearing at approximately 6.67% to 6.76% 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 31 December 2021, other loans amounted to RMB589,412,000 (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 31 December 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.

31. OTHER LOANS (Continued)

Note: (Continued)

(ii) As at 31 December 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 31 December 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 31 December 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 31 December 2021, the loan is unsecured, interest-bearing at approximately 6.02% to 6.06% 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.

As at 31 December 2021 and 31 December 2020, all other loans are denominated in USD.

32. BONDS PAYABLE

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
At the beginning of the year	**2,495,824**	2,493,477
Interest charge	**42,690**	2,347
	2,538,514	2,495,824
Less: current portion	**(2,538,514)**	–
Non-current portion	**–**	2,495,824

32. BONDS PAYABLE (Continued)

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	Repaid principal RMB'000	Unpaid interest RMB'000	**At 31 December 2021 RMB'000**
3 August 2012	10 years	1,500,000	1,487,100	1,497,510	–	32,985	**1,530,495**
29 October 2012	10 years	1,000,000	992,400	998,314	–	9,705	**1,008,019**
		2,500,000	2,479,500	2,495,824	–	42,690	**2,538,514**

The Company issued two batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 4.20% and was repaid on 3 August 2015. The second batch is a ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5% and matures on 3 August 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued further two batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually. The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

33. EMPLOYEE BENEFITS PAYABLE

	31 December 2021 RMB'000	31 December 2020 RMB'000
Defined benefit plan payable	**193,572**	187,312
	193,572	187,312
Less: current portion	**(27,271)**	(23,094)
Non-current portion	**166,301**	164,218

(a) Details of defined benefit plan payable are as follows:

Defined benefit plan payable represents post-employment benefit plan for current civil retirees and current retirees which are measured by using actuarial valuation method. Independent actuarial valuation has been carried by an independent firm with chartered actuarial certification.

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Present value of unfunded obligations	**193,572**	187,312
Less: current portion	**(27,271)**	(23,094)
Non-current portion	**166,301**	164,218

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

33. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

(ii) Movements in the present value of the defined benefit plan payable are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
At the beginning of the year	**187,312**	203,474
Remeasurement for the year	**(2,630)**	(4,026)
Benefits paid	**(16,089)**	(14,836)
Past service cost	**18,570**	(4,262)
Interest cost	**6,409**	6,962
At the end of the year	**193,572**	187,312

The weighted average duration of the defined benefit plan is 10.7 (31 December 2020: 11.6) years.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Past service cost	**18,570**	(4,262)
Net interest on net defined benefit liability	**6,409**	6,962
Total amounts recognised in profit or loss	**24,979**	2,700
Actuarial gain recognised in other comprehensive income	**(2,630)**	(4,026)
Total defined benefit costs	**22,349**	(1,326)

The past service cost and the net interest on net defined benefit liability totalling RMB24,979,000 (31 December 2020: RMB2,700,000) were recognised in the other expenses and administrative expenses for the year.

33. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Discount rate	**3.25% – 3.42%**	3.25% – 3.42%
Average annual increase rate of supplemental medical benefits	**5.00%**	5.00%

Mortality rate adopted for the defined benefit plan payable as at 31 December 2021 was based on the China Life Insurance Mortality Table 2010-2013-CL5/CL6 up 2 years issued by the China Life Insurance Regulatory Commission of the PRC.

The below analysis shows how the defined benefit plan payable would have increased/(decreased) as a result of 0.5% change of discount rate in the significant actuarial assumptions:

	Effect of payable	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Increase in 0.5%	**(5,664)**	(6,299)
Decrease in 0.5%	**6,004**	6,697

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

34. SHARE CAPITAL

(a) Share capital

	2021		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
At the beginning and end of the year	**4,762,692**	**4,762,692**	4,762,692	4,762,692

(b) Share options

The Company operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. No outstanding options were vested and exercisable as at 31 December 2021. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of the Company held on 17 December 2018, the shareholders of the Company approved the adoption of a share option scheme (the "**2018 Share Option Scheme**"). The purposes of the 2018 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the shareholders, and to establish an interests-sharing and restraining mechanism between the shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

34. SHARE CAPITAL (Continued)

(b) Share options (Continued)

Under the 2018 Share Option Scheme, the exercise of the options is subject to a two-year vesting period during which a participant is not allowed to exercise any option granted. After the expiration of the two-year period, the participant may exercise the options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively. Within the exercise period of the share options, and subject to the fulfillment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share at relevant exercise price.

The fair value of the share options granted under the 2018 Share Option Scheme as at 27 December 2018, the grant date, was RMB39,006,000 using Black-Scholes valuation model.

Movements of the share options granted by the Company for the year ended 31 December 2021 is set out below:

			For the year ended 31 December 2021 Number of share options							
Category	Note	Exercise price RMB	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2021	Exercisable period
Directors	(i) (ii)	5.74*	891,000	-	-	-	(294,030)	(318,250)	278,720	28.12.2020-27.12.2025
Continuous contract employees	(i) (ii)	5.74*	28,470,000	-	-	-	(9,203,370)	(1,288,520)	17,978,110	28.12.2020–27.12.2025
			29,361,000	-	-	-	(9,497,400)	(1,606,770)	18,256,830	

Note:

(i) 8,992,170 outstanding options were vested and exercisable as at 31 December 2021. The Company has legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 27 December 2018 under the 2018 Share Option Scheme at an exercise price of RMB6.00. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of seven years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "**Restriction Period**"). Besides, subject to the fulfillment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

* The exercise price was adjusted from RMB5.94 to RMB5.74 on the Board meeting on 30 August 2021.

35. RESERVES

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) The Company

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

	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	FVOCI revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	7,750,215	270,254	12,561	(1,796)	2,877,435	703	93,158	1,019	8,510,176	19,513,725
Profit for the year	-	-	-	-	-	-	-	-	1,591,112	1,591,112
Issue of ordinary shares	4,346,214	-	-	-	-	-	-	-	-	4,346,214
Merge of companies under the same control	-	-	-	2,581,873	-	-	-	-	-	2,581,873
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	(190,508)	(190,508)
Accrual of safety fund reserve	-	-	-	-	-	64,992	-	-	(64,992)	-
Utilisation of safety fund reserve	-	-	-	-	-	(63,819)	-	-	63,819	-
Fair value of share options granted	-	-	10,693	-	-	-	-	-	-	10,693
At 31 December 2020	12,096,429	270,254	23,254	2,580,077	2,877,435	1,876	93,158	1,019	9,909,607	27,853,109
At 1 January 2021	**12,096,429**	**270,254**	**23,254**	**2,580,077**	**2,877,435**	**1,876**	**93,158**	**1,019**	**9,909,607**	**27,853,109**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,524,109)**	**(2,524,109)**
Dividends approved in respect of previous year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(952,538)**	**(952,538)**
Accrual of safety fund reserve	**-**	**-**	**-**	**-**	**-**	**83,689**	**-**	**-**	**(83,689)**	**-**
Utilisation of safety fund reserve	**-**	**-**	**-**	**-**	**-**	**(85,530)**	**-**	**-**	**85,530**	**-**
Fair value of share options granted	**-**	**-**	**4,172**	**-**	**-**	**-**	**-**	**-**	**-**	**4,172**
At 31 December 2021	**12,096,429**	**270,254**	**27,426**	**2,580,077**	**2,877,435**	**35**	**93,158**	**1,019**	**6,434,801**	**24,380,634**

35. RESERVES (Continued)

(b) The Company (Continued)

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

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2021, before the proposed final dividend, the Company had reserve of RMB6,434,801,000 (31 December 2020: RMB9,909,607,000).

In addition, in accordance with the Company Law of the PRC, an amount of RMB12,096,429,000 (31 December 2020: RMB12,096,429,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

(c) Nature and purposes of reserves

(i) Share premium

Share premium arised from the issuance of shares at prices in excess of their par value.

(ii) Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

(iii) Capital reserve

The reserve arised from the acquisition of additional interests in a subsidiary and revaluation of assets arising from capital restructuring of a subsidiary.

(iv) Merger reserve

The reserve arised from business combination involving entities under common control.

35. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(iv) Merger reserve (Continued)

(i) Statutory reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must be before distribution of a dividend to shareholders.

(ii) Safety fund reserve

According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the year. When its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

(iii) General surplus reserve

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

(iv) Hedging reserve

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

(v) FVOCI reserve

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

35. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(iv) Merger reserve (Continued)

(vi) Translation reserve

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

(vii) Other reserve

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Investment properties	**170,421**	170,421
Property, plant and equipment	**11,343,145**	13,230,802
Right-of-use assets	**9,878,319**	–
Investments in subsidiaries	**16,214,663**	15,430,663
Investments in associates	**2,729,523**	2,608,070
Investments in a joint venture	**2,727,666**	2,351,401
Loan receivables	**2,040,224**	1,141,858
	45,103,961	34,933,215
CURRENT ASSETS		
Current portion of loan receivables	**669,449**	799,887
Inventories	**282,218**	325,137
Contract assets	**93,856**	180,459
Trade and bills receivables	**255,513**	225,484
Prepayments, deposits and other receivables	**1,938,826**	1,696,756
Cash and cash equivalents	**835,997**	1,671,382
	4,075,859	4,899,105
TOTAL ASSETS	**49,179,820**	39,832,320

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**241,409**	90,000
Bonds payable	**–**	2,495,824
Employee benefits payable	**50,470**	48,721
Lease liabilities	**10,017,851**	–
Deferred tax liabilities	**184,313**	189,066
	10,494,043	2,823,611
CURRENT LIABILITIES		
Trade and bills payables	**545,242**	526,845
Other payables and accruals	**4,642,487**	3,545,932
Current portion of interest-bearing bank and other borrowings borrowing	**486,766**	318,000
Contract liabilities	**1,384**	1,992
Current portion of bonds payable	**2,538,514**	–
Current portion of lease liabilities	**1,327,919**	–
Taxes payable	**139**	139
	9,542,451	4,392,908
TOTAL LIABILITIES	**20,036,494**	7,216,519
EQUITY		
Share capital	**4,762,692**	4,762,692
Reserves	**24,380,634**	27,853,109
TOTAL EQUITY	**29,143,326**	32,615,801

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before tax to net cash generated from operating activities is as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit before tax	**(4,527,308)**	2,904,034
Adjustments for:		
Finance costs	**826,672**	1,039,721
Interest income	**(53,829)**	(101,644)
Gain on disposal of property, plant and equipment, net	**(22,275)**	(1,067)
Loss on disposal of investment properties,	**–**	3,513
Loss on impairment of property, plant and equipment	**4,567,969**	840,941
Loss on impairment of right-of-use assets	**393,481**	–
Dividends received from financial assets at FVOCI	**(13,010)**	(12,675)
Reversal of impairment losses on trade receivables and contract assets	**(5,760)**	(19,414)
Provision for impairment losses on other receivables	**(28,017)**	13,906
Depreciation of property, plant and equipment	**2,551,810**	2,450,935
Depreciation of right-of-use assets	**279,850**	553,508
Share of profits of associates	**(254,727)**	(247,150)
Share of profits of joint ventures	**(714,288)**	(690,558)
Operating profit before working capital changes	**3,000,568**	6,734,050
Increase in inventories	**(153,731)**	(85,212)
Decrease in trade and bills receivables and contract assets	**187,798**	126,933
Decrease in prepayments	**13,230**	24,930
Decrease/(increase) in deposits and other receivables	**126,680**	(143,397)
Decrease in amounts due from associates	**1,725**	28,205
(Increase)/decrease in amounts due from joint ventures	**(269)**	81,151
Increase in amounts due from fellow subsidiaries	**(131,260)**	(13,603)
Increase in amounts due from related companies	**34,612**	(25,107)
Increase in trade and bills payables and contract liabilities	**725,788**	264,957
(Decrease)/Increase in other payables	**(258,820)**	82,732
Increase in accruals	**77,180**	130,170
Increase/(decrease) in amount due to ultimate holding company	**4,420**	(1,320)
Decrease in amount due to immediate holding company	**–**	(1,100)
Decrease in amount due to an associate	**1,658**	–
Decrease in amounts due to joint ventures	**3,483**	–
(Decrease)/increase in amount due to other related parties	**(61,427)**	202
(Decrease)/increase in amounts due to fellow subsidiaries	**(56,691)**	47,093
Decrease in provision and other liabilities	**–**	(10,011)
Decrease in employee benefits payable	**(48,282)**	(16,162)
Cash generated from operations	**3,466,662**	7,224,511
Income tax paid	**(130,709)**	(251,400)
Net cash generated from operating activities	**3,335,953**	6,973,111

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

(b) Reconciliation of liabilities arising from financing activities

	Derivative Financial instruments (note 29) RMB'000	Lease liabilities (note 16) RMB'000	Interest bearing bank and other borrowings (note 30) RMB'000	Other loans (note 31) RMB'000	Bonds payable (note 32) RMB'000	Total liabilities from financing activities RMB'000
At 31 December 2020 and 1 January 2021	847,983	2,025,122	20,491,573	1,021,755	2,495,824	26,882,257
Changes from financing cash flows:						
Interest paid	(123,240)	(78,444)	(541,508)	(52,503)	(86,563)	(882,258)
Increase in interest-bearing bank and other borrowings	–	–	7,245,201	–	–	7,245,201
Repayment of interest-bearing bank and other borrowings	–	–	(6,962,033)	–	–	(6,962,033)
Repayment of other loans	–	–	–	(48,198)	–	(48,198)
Lease payment	–	(263,899)	–	–	–	(263,899)
	(123,240)	(342,343)	(258,340)	(100,701)	(86,563)	(911,187)
Other changes:						
Interest expenses	123,240	78,444	424,118	56,503	129,253	811,558
Accrued interest expenses recorded in other payables and accruals	–	–	81,264	–	–	81,264
Net change in fair value	(152,564)	–	–	–	–	(152,564)
Currency translation differences	(139,314)	(105,843)	(424,102)	(22,834)	–	(692,093)
	(168,638)	(27,399)	81,280	33,669	129,253	48,165
At 31 December 2021	556,105	1,655,380	20,314,513	954,723	2,538,514	26,019,235

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

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

	Derivative Financial instruments (note 29) RMB'000	Lease liabilities (note 16) RMB'000	Interest bearing bank and other borrowings (note 30) RMB'000	Other loans (note 31) RMB'000	Bonds payable (note 32) RMB'000	Total liabilities from financing activities RMB'000
At 31 December 2019 and 1 January 2020	631,235	2,732,034	25,880,368	1,132,690	2,493,477	32,869,804
Changes from financing cash flows:						
Interest paid	(111,471)	(98,678)	(802,425)	(62,947)	(126,800)	(1,202,321)
Increase in interest-bearing bank and other borrowings	–	–	4,515,532	–	–	4,515,532
Repayment of interest-bearing bank and other borrowings	–	–	(8,486,423)	–	–	(8,486,423)
Repayment of other loans	–	–	–	(39,828)	–	(39,828)
Lease payment	–	(561,897)	–	–	–	(561,897)
	(111,471)	(660,575)	(4,773,316)	(102,775)	(126,800)	(5,774,937)
Other changes:						
Interest expenses	111,471	98,678	681,312	62,947	129,147	1,083,555
Accrued interest expenses recorded in other payables and accruals	–	–	114,990	–	–	114,990
Net change in fair value	383,875	–	–	–	–	383,875
Currency translation differences	(167,127)	(145,015)	(1,411,781)	(71,107)	–	(1,795,030)
	328,219	(46,337)	(615,479)	(8,160)	129,147	(212,610)
At 31 December 2020	847,983	2,025,122	20,491,573	1,021,755	2,495,824	26,882,257

38. PENSION AND ENTERPRISE ANNUITY SCHEMES

(a) The PRC (other than Hong Kong)

(i) Pension scheme

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group´s retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent approximately to 16% (2020: 16%) of the basic salaries of the Group's employees. The Group also received a reduction in social security contributions related to COVID-19 during the Reporting Period, which was recognised as reduction to the related expenses. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB34,862,000 (2020: RMB3,965,000).

(ii) Enterprise annuity scheme

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

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as labor cost in 2021 amounted to RMB29,699,000 (2020: RMB28,095,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the Directors, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(b) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year amounted to RMB212,000 (2020: RMB211,000).

39. 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 RMB52,281,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

39. CONTINGENT LIABILITIES AND GUARANTEE (Continued)

(b) At the seventh 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 31 December 2021, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB40,804,000).

(c) Subsequent to the approval by shareholder at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to RMB2,406,827,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(d) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single vessel Companies with the amount of Euro4.5 million (equivalent to approximately RMB32,489,000). The guarantee period is limited to the lease period.

40. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial year of 1 to 20 (31 December 2020: 1 to 20) years.

As at 31 December 2021, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within one year	**1,478,443**	1,970,447
In the second to fifth years, inclusive	**4,931,511**	5,447,363
Over five years	**12,474,725**	14,817,751
	18,884,679	22,235,561

41. CAPITAL COMMITMENTS

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Authorized and contracted but not provided for:			
Construction and purchases of vessels	(i)	**6,924,783**	5,382,212

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2022 to 2025.

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 RMB387,974,000 (31 December 2020: RMB43,168,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,223,740,000 (31 December 2020: RMBnil).

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO Shipping Group companies for the interests of the consolidated financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

	31 December 2021 RMB'000	31 December 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

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	31 December 2021 RMB'000	31 December 2020 RMB'000
Transactions with fellow subsidiaries and the related entities of COSCO Shipping		
Revenues		
Shipping services and ship charter services	**52,739**	91,197
Supply of fuel, shipping material, painting, spare part and ship equipment etc.	**–**	9,824
Rental income, including surcharge	**232**	690
Expenses		
Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc.	**3,471,271**	3,320,693
Electrical, telecommunication, ship repair and technical improvements services etc.	**1,148,413**	1,208,718
Ship and related business insurance and insurance brokerage services	**76,769**	83,872
Ship and shipping agency services	**108,909**	82,524
Management service of sea crew	**1,891,756**	1,469,089
Rental expense	**4,241**	4,846
Miscellaneous services	**39,231**	20,896
Others		
Construction of vessels	**537,248**	57,584
Loss on disposal of shares in subsidiaries	**–**	40,504
Transactions with joint ventures of the Group		
Revenues		
Interest income from joint ventures	**10,959**	19,422
Transactions with associates of the Group		
Revenues		
Interest income from associates	**36,249**	36,411
Vessel chartering income	**113,053**	105,927

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Note: These transactions were conducted either based on terms as governed by the master agreements and subsisting agreements entered into the Group and COSCO Shipping Group or based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2021 and 31 December 2020, majority of the Group's bank balances and bank borrowings are with state-owned banks.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2021, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2021	2020	**2021**	2020	
COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("**Dalian Tanker**")	The PRC/Limited liability company	RMB Nil (2020: RMB6,378,152,557)	Ordinary	**-**	100%	**-**	-	Oil transportation and vessel chartering
Guangzhou Sanding Oil Shipping Co., Ltd.	The PRC/Limited liability company	RMB299,018,000	Ordinary	**51%**	51%	**-**	-	Oil transportation and vessel chartering
COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd.	The PRC/Limited liability company	RMB1,764,000,000	Ordinary	**100%**	100%	**-**	-	Investment holding
Offshore Oil (Yangpu) Shipping Co., Ltd.	The PRC/Limited liability company	RMB20,000,000	Ordinary	**43%**	43%	**-**	-	Oil transportation and vessel chartering
Huahai Petrol Transportation & Trading Co., Limited	The PRC/Limited liability company	RMB56,879,168	Ordinary	**-**	-	**51%**	51%	Oil transportation and vessel chartering
COSCO PetroChina SHIPPING	The PRC/Limited liability company	RMB496,067,600	Ordinary	**51%**	51%	**-**	-	Oil transportation and vessel chartering
China Shipping Development (Hong Kong) Marine Co., Limited	Hong Kong/Limited liability company	USD100,000,000	Ordinary	**100%**	100%	**-**	-	Investment holding
ELNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**70%**	70%	**-**	-	Investment holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company Direct 2021	Direct 2020	Indirect 2021	Indirect 2020	Principal activities
NLNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**90%**	90%	**-**	-	Investment holding
COSCO SHIPPING Tanker (Singapore) Pte. Ltd.	Singapore/Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
COSCO SHIPPING TANKER (Britain) Company Limited	Britain/Limited liability company	USD1,095,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services
China Energy	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**-**	-	**51%**	51%	Investment holding
COSCO SHIPPING Tanker (USA) Company Limited	The United States of America/Limited liability company	USD4,000,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services
COSCO SHIPPING Energy Transportation (Hainan) Co., Ltd.	The PRC/Limited liability company	RMB9,272,152,557	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
United Liquefied Gas Shipping (Hong Kong) Co., Limited	Hong Kong/Limited liability company	USD66,000,000	Ordinary	**-**	-	**71%**	71%	Investment holding

The above table lists the subsidiaries which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Directors considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

CORPORATE INFORMATION

Legal name:	中遠海運能源運輸股份有限公司
English name:	COSCO SHIPPING Energy Transportation Co., Ltd.*
Registered address:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Business address:	670 Dongdaming Road, Hongkou District, Shanghai, The People's Republic of China
Postal Code:	200080
Tel:	(8621) 65967678
Fax:	(8621) 65966160
Place of business in Hong Kong:	RMS 3601-3602, 36/F West Tower, Shun Tak CTR 168-200 Connaught RD Central, Hong Kong
Legal representative:	Mr. Ren Yongqiang
Secretary of the Board:	Ms. Ni Yidan
Company Secretary:	Ms. Yao Qiaohong
Unified Social Credit Code:	91310000132212734C
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
Hong Kong auditor:	PricewaterhouseCoopers Certified Public Accountants and Registered PIE Auditor* 22/F, Prince's Building, Central, Hong Kong

PRC auditor:	ShineWing Certified Public Accountants LLP Fuhua Mansion, North AVE #8 Chaoyangmen, Dongcheng District, Beijing, the PRC
Legal advisors:	Grandall Law Firm (Shanghai Office) 23-25th floor, Garden Square 968 West Beijing Road, Shanghai, The People's Republic of China
	Paul Hastings 22/F Bank of China Tower, 1 Garden Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138
	A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Office of the Board of Directors COSCO SHIPPING Energy Transportation Co., Ltd. 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, The People's Republic of China
Company's website:	http://energy.coscoshipping.com

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ren Yongqiang, born in December 1973, holds a doctoral degree in political economy. He is currently the Secretary of the Party Committee, an executive director, the chairman, the chairman of the Strategy Committee and a member of the Risk Control Committee of the Company. Mr. Ren served in the Transport Department of Tibet Autonomous Region, the Trading Department of Tibet Autonomous Region, the Ministry of Internal Trade, the Bureau of Internal Trade, the State Economic and Trade Commission, the State-owned Assets Supervision and Administration Commission of the State Council and China Shipping Group Company Limited. He has been the general manager of the Human Resources Division/the head of the Organisation Division of China COSCO SHIPPING Corporation Limited since February 2016.

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

Mr. Zhang Qinghai, born in December 1961, holds a master's degree in business management and is an engineer. He is currently a non-executive director and a member of the Strategy Committee of the Company. Mr. Zhang had served at China Ocean Shipping (Group) Company and many of its subsidiaries. He was a deputy secretary (temporary) of Luolong County Party Committee of the Changdu District of Tibet, a party committee member and the secretary of the discipline inspection commission of COSCO SHIPPING Tanker (Dalian) Co., Ltd., and a party committee member and the secretary of the discipline inspection commission of COSCO SHIPPING Investment Dalian Co., Ltd., etc. He served as a director to COSCO Shipping Specialized Carriers Co., Ltd (stock code: 600428.SH) from June 2020 to January 2022.

Mr. Liu Zhusheng, born in September 1961, holds a master's degree in engineering and is a senior engineer. He is currently a non-executive director and a member of the Strategy Committee of the Company, a director of COSCO SHIPPING Technology Co., Ltd. (stock code: 002401.SZ) and Shanghai Ship and Shipping Research Institute. Mr. Liu Zhusheng successively served at Tianjin Northern Marine Co., Ltd.,Tianjin Zhizhou Information Technology Co., Ltd., Tianjin Huicheng Software Development Co., Ltd., and COSCO Shipyard Group Co., Ltd.. He had been a deputy general manager of the information management department of China Ocean Shipping (Group) Company and a deputy general manager of the technology and information management department of China COSCO SHIPPING Corporation Limited.

Mr. Teo Siong Seng, born in December 1954, holds a first-class Honours Degree in naval architecture & ocean engineering. He is currently an independent non-executive Director, a member of each of the Strategy Committee, the Remuneration and Appraisal Committee, and the Audit Committee of the Company. He is also the managing director of Pacific International Lines (Pte) Ltd., the chairman and chief executive officer of Singamas Container Holdings Limited (stock code: 00716.HK), former chairman of Singapore Business Federation, an honorary president of Singapore Chinese Chamber of Commerce & Industry, an honorary vice chancellor of National University of Singapore, an industry consultant of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, an independent non-executive director of Keppel Corporation Limited (stock code: BN4. SGX), an independent non-executive Director of Wilmar International Limited (stock code: F34. SGX), an independent non-executive director of COSCO SHIPPING Holding Co., Ltd. (stock code: 601919.SH, 01919.HK) and the chairman of China-Singapore International Logistics Park (Nanning). He also served as the president of Singapore Shipping Association, the chairman of Singapore Maritime Foundation (SMF), and the president of Lloyd's Register Asia Shipowners' Committee.

Mr. Victor Huang, born in May 1971, holds a bachelor's degree in economics and is a Hong Kong Institute of Certified Public Accountants member. He is currently an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He serves as an independent non-executive director to Manpower Group Greater China Limited (stock code: 02180.HK), Scholar Education Group (stock code: 01769.HK), Topsports International Holdings Limited (stock code: 06110.HK), LBX Pharmacy Chain Co., Ltd. (stock code: 603883.SH), Qingdao Haier Biomedical Co., Ltd. (stock code: 688139.SH) and Newtimes Energy (stock code: 00166.HK). Mr. Huang had been a former partner of PricewaterhouseCoopers and KPMG. He served as an independent non-executive director to Trinity Limited (stock code: 00891.HK) from December 2018 to December 2020, to China Bright Culture Group (stock code: 01859.HK) from February 2020 to November 2020 and to Evergrande Property Services Group Limited (stock code: 06666.HK) from November 2020 to November 2021.

Mr. Li Runsheng, born in June 1952, holds a master's degree in public administration and is a professor-level senior economist. He is currently an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee and the Nomination Committee of the Company. He serves as an independent non- executive director of Lihuayi Weiyuan Chemical Co., Ltd (stock code: 600955.SH). Mr. Li had been the director of the policy and regulation department of the former State Bureau of Petroleum and Chemical Industry, the party secretary and the deputy general manager of China Petroleum Refining and Sales Company, the director of the general office, assistant to the general manager and deputy director of the consulting center of China National Petroleum Corporation, and a vice chairman, deputy party secretary and the director to the Expert Committee of China Petroleum and Chemical Industry Federation. He served as an independent non-executive director to China Aviation Oil (Singapore) Corporation Limited (stock code: G92.SI) from April 2014 to September 2021.

Mr. Zhao Jinsong, born in November 1963, holds a doctorate degree in engineering and is a lawyer, maritime arbitrator. He is currently an independent non-executive Director, the chairman of the Risk Control Committee and a member of the Strategy Committee of the Company. He serves as a professor to the Research Institute at School of Ocean Engineering of Harbin Institute of Technology, Shenzhen, the director and a professor to Smart Ocean Research Center of Shenzhen Research Institute of Shanghai Jiao Tong University, the director to Shenzhen branch center of National Engineering Research Center for Ship Navigation System of Dalian Maritime University, the president of Sanya Cruise Yacht Research Institute and the president of the Finance Research Institute of Shipping and Trade (Shibei District, Qingdao). Mr. Zhao had been an ocean freighter pilot, and worked in maritime law firms Hill Taylor Dickson and Holman Fenwick Willan in the United Kingdom and Lawrence K. Y. Lo & Co. in Hong Kong for many years. He was a professor of maritime law at Koguan School of Law, Shanghai Jiao Tong University, the dean and a professor of the International Shipping Law School of East China University of Political Science and Law, the president of Qianhai Shengang Institute of International Finance (Shenzhen) Co., Ltd and senior partner and lawyer to Allbright Law Offices (Shanghai). Mr. Zhao had been a visiting professor to many universities at home and abroad, a director of the law center of China Shipowners' Association, a director of China Shipbuilding Industry Fund Management Agency and a legal advisor of China Classification Society.

Mr. Wang Zuwen, born in November 1955, holds a doctorate degree in engineering. He is currently an independent non-executive Director, the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee, the Audit Committee and the Risk Control Committee of the Company, an independent director of Jinzhou Port Company Limited (stock code: 600190.SH). Mr. Wang had successively been an associate professor, a professor, a doctoral advisor and a vice chancellor of Harbin Institute of Technology and a professor and the chancellor of Dalian Maritime University.

Mr. Weng Yi, born in July 1967, holds a master's degree in management, and is a senior captain and a professor-level senior engineer. He is currently the chairman of Supervisor Committee of the Company, the safety director and general manager of the safety supervision division of China COSCO Shipping Corporation Limited, the chairman of the Supervisor Committee of COSCO SHIPPING Bulk Co., Ltd., and the director of COSCO SHIPPING Ferry Co., Ltd. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., the deputy chief of the sailing department and the deputy chief of the shipping department of China Shipping Development Co., Ltd. Tramp Co., the deputy director of the shipping department of China Shipping Group Company Limited, the general manager of Zhuhai New Century Shipping Company Limited, the deputy general manager of China Shipping Development Co., Ltd. Tramp Co., the general manager of the shipping department and the general manager of the operation department of China Shipping Group Company Limited and a chief captain of China Shipping Group Company Limited.

Mr. Yang Lei, born in December 1971, holds a bachelor's degree in law and is a senior economist. He is now a supervisor of the Company and the deputy general manager of Legal and Risk Management Department of China COSCO Shipping Corporation Limited. Mr. Yang served as the deputy general manager of Strategic Development Department of COSCO Container Lines Co., Ltd. and the deputy general manager of Legal and Risk Management Department of China Ocean Shipping (Group) Company.

Mr. Xu Yifei, born in November 1965, holds a bachelor's degree in engineering and is a marine captain and senior engineer. He is currently the chairman of the labor union of the Company and a supervisor of the Company as a representative of employees. Mr. Xu Yifei served as a ship's chief officer of Shanghai Hai Xing Shipping Company Limited, a ship's marine captain of China Shipping International Ship Management Co., Ltd., the deputy chief of the maritime management department, the section chief and the deputy general manager of vessel administration department, the department head of human resources department and the chairman of labor union of China Shipping Tanker Company Limited.

Mr. Zeng Xiangfeng, born in January 1977, holds a bachelor's degree in law and is a senior political engineer. He is currently the deputy secretary of the Disciplinary Committee, the Director of the Disciplinary Committee Work Department/Supervision and Audit Department and an employee representative supervisor of the Company. Mr. Zeng served at the Party Committee Office of the China Shipping (Group) Company, the Party Committee Work Department and the Directors' Office/General Manager Office of China Shipping Tanker Company Limited, the General Manager Office and the Legal Affairs and Risk Management Department of the Company.

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

Mr. Qin Jiong, born in September 1968, is a marine captain. He is currently a deputy general manager of the Company. Mr. Qin was formerly a marine captain of Shanghai Maritime Bureau, the deputy general manager of Container Transport Division I and the director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, the deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., the general manager of the Operation Management Department of China Shipping Group Company Limited.

Mr. Luo Yuming, born in December 1967, holds a bachelor's degree in engineering and is a senior engineer. He is currently a deputy general manager of the Company. Mr. Luo served as a captain of oil tankers, the head of maritime section, the assistant to general manager and the deputy general manager of China Shipping Development Company Limited Tanker Company — (Guangzhou Branch), the director of the vessel administration department and the general manager of the shipping department of China Shipping Development Co., Ltd. Tanker Company and the vice general manager of China Shipping Tanker Company Limited.

Mr. Zhao Jinwen, born in May 1962, holds a master's degree in engineering and is also an senior chief engineer. He is currently a deputy general manager of the Company. Mr. Zhao was formerly a ship's chief engineer, the manager of Ship Technology Section of Security Technology Department, the deputy general manager and the general manager of Security Technology Department of Dalian Ocean Shipping Company Limited. He was also the former general manager assistant, the vice general manager and a member of the Party Committee of Dalian Ocean Shipping Company Limited.

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

Ms. Li Zhuoqiong, born in October 1973, holds a master's degree in law and is also a senior economic engineer. She is currently a deputy general manager and the Chief Law Officer of the Company. Ms. Li was the general manager of Strategic Development Department of Dalian Ocean Shipping Company, and was the general manager of Strategy and Enterprise Management Department of the Company.

Mr. Tian Chao, born in May 1977, holds a doctorate degree in accounting and financial management and is a senior accountant, senior economic engineer, a certified public accountant of China, an Association of Chartered Certified Accountants (ACCA) member and a Chartered Institute of Management Accountants (ACMA) member. He is currently the financial controller of the Company, and has been the financial officer of the financial department of China Ocean Shipping (Group) Company, director and general manager of the financial department of Port Of Antwerp Co., Ltd., general manager of the financial department of COSCO SHIPPING (Europe) GmbH, as well as assistant to the president and general manager of the financial department of Piraeus Port Authority S.A.

Ms. Ni Yidan, born in February 1985, holds a bachelor's degree in management and is also a senior economic engineer. She is currently the Secretary of the Board of the Company. Ms. Ni was the manager assistant of the commercial division of production and operation department of China Shipping Development Co., Ltd. Tanker Company, deputy general of the public relations division and assistant director of the Board/Managing Director's Office, vice director (acting director) of Office of Board and manager of public relations division of the Company.

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

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