



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

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

(Hong Kong Stock Exchange Stock Code: 1138)

(Shanghai Stock Exchange Stock Code: 600026)

INTERIM REPORT 2022



CONTENT

Management Discussion and Analysis

The Main Business, Operating Model of the Group and Conditions of the Industry during the Reporting Period	2
Analysis of the International and Domestic Shipping Market during the Reporting Period	4
Review of Operating Results during the Reporting Period	6
Cost and Expenses Analysis	11
Operating Results of the Joint Ventures and the Associates	12
Financial Analysis	13
Fleet Expansion Projects	22
Outlook and Highlights for Second Half of 2022	23
Other Matters	26

Financial Statement

Report on Review of Condensed Consolidated Interim Financial Information	40
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Condensed Consolidated Statement of Financial Position	44
Condensed Consolidated Statement of Changes in Equity	46
Condensed Consolidated Statement of Cash Flows	48
Notes to the Interim Financial Information	50

MANAGEMENT DISCUSSION AND ANALYSIS

1. THE MAIN BUSINESSES, OPERATING MODEL OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD. (THE “COMPANY”, AND TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”) AND CONDITIONS OF THE INDUSTRY DURING THE SIX MONTHS ENDED 30 JUNE 2022 (THE “REPORTING PERIOD”)

(1) Industry and Characteristics

The Group is mainly engaged in the shipping of crude oil, product oil and LNG. As traditional energy, oil and natural gas play a pivotal role in the global energy structure and consumption sector, being the important strategic raw materials that support the development of a 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 the international economy development.

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, lower freight costs compared with other modes of transportation 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.

The LNG carriers have been recognized internationally as ‘three high’ products with high technology, high difficulty and high added value. 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. 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 operation model in industry of the Group

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 30 June 2022, the Group owned 161 oil tankers with a total capacity of 23.65 million deadweight tons (“**DWT**”). The Group’s joint ventures and associated companies owned 14 oil tankers with a total capacity of 0.83 million DWT.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Company holds 50% equity, are the leading large-scale LNG transportation companies in China. As of 30 June 2022, the Group had 49 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; 11 LNG vessels with a capacity of 1.91 million cubic meters were under construction. In recent years, as the LNG carriers, for which the Group is involved in investment and construction, are gradually put into operation, the Group's LNG transportation business has accelerated into the harvest period.

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

China COSCO SHIPPING Corporation Limited (together with its subsidiaries, the "**COSCO SHIPPING Group**"), the controlling shareholder of the Group, has formed a 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 refined and centralized 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 continue to move towards the goal of "resource integrator" and "solution provider".

The operation model of the Group's oil product shipping 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 tanker offerings, which allows the integration of domestic and international voyages by employing crude and product tankers of different sizes. The Group gives full play to the advantages of its tanker 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 transshipment and export, and downstream chemicals shipping, etc., to help customers with means to reduce logistics costs and therefore realize win-win cooperation.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In the overall business structure of the Group, the LNG shipping business brings stable and increasing income for the Group, while the Group's coastal (domestic trade) oil shipping business, as a leading player in the coastal crude oil and product oil shipping industry in the PRC, also plays a crucial role in providing a "safety cushion for the operating results". In addition, the international (foreign trade) oil shipping business provides high cyclical resilience to the Group's operating results.

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

(1) International oil shipping market

In the first half of 2022, the demand for petroleum has been recovering steadily. Global oil demand reached 98.3 million barrels per day by the end of June 2022, increasing by 2 million barrels per day from the corresponding period of last year, according to the International Energy Agency ("IEA"). Oil supply remains tight amid the modest production increase of OPEC+ as planned and the moderate recovery of the U.S. oil production.

In terms of demand for tanker transportation, in the first half of 2022, the Russia-Ukraine conflict triggered energy sanctions on Russia imposed by Western countries, changing the pattern of international oil trade, among which:

Crude oil shipping segment: Europe has been seeking for alternative oil imports from the Americas, the Mediterranean and other regions, while Russian crude oil supply shifted to Asia, therefore stretching the overall shipping distance, and in turn, significantly boosting the demand for crude oil shipping. Aframax and Suezmax, being the major tanker types for oil shipping in the Atlantic region, have become the biggest beneficiaries.

Product oil shipping segment: Product oil consumption in the U.S. and Europe has been recovering, while refinery margin in Europe has been strong due to a combination of the reduced product oil imports from Russia, the decline of refinery capacity in recent years and the low product oil inventories. Under the support of trade activity, tanker freight rates of product oil continued to boom, with the overall market of this segment outperforming that of the crude oil shipping segment.

In terms of tanker supply, the tanker fleet maintained its growth at a low rate. In the first half of 2022, a total of 135 tankers with 16.06 million DWT were delivered globally (a total of 143 tankers with 16.00 million DWT were delivered in the corresponding period of last year), and a total of 61 tankers with 4.67 million DWT were demolished. Among them, 23 Very Large Crude Carriers ("**VLCC**") were delivered and 2 VLCCs were demolished. Moreover, in the first half of 2022, only 30 new tanker orderbooks were contracted, hitting the lowest level since 1996. There has been no contracting for VLCC orderbook since July of last year. As of the end of June 2022, the proportion of global tankers over 15 years old was still as high as 28%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Overall, the structural changes in oil trade brought about by the Russia-Ukraine Conflict broke the gloomy picture of the international tanker market in the first half of 2022, and the performance of all tanker types were not exactly the same. The VLCC shipping market was suffering from excess capacity and high fuel prices, with an average daily Time Charter Equivalent (“TCE”) of the TD3C (Middle East – China) route of only -9,334 USD/day in the first half, the lowest on record. The market of small and medium-sized crude oil tankers indicated the active performance thanks to the large increase in exports from the United States and West Africa to Europe. With trade activity supported by the high refinery margin, the product oil shipping segment showed a trend of strong and sustainable recovery. Except for the VLCC, the average daily TCE of each tanker type rose by more than 100% as compared with that for the corresponding period of last year.

(2) Domestic oil shipping market

Crude oil shipping: In the first half of 2022, crude oil production remained stable, and shipping demand was relatively solid in the offshore segment. Pipeline oil shipping was also stable, while transshipment oil shipping was boosted after a negative trend. Being affected by high international oil prices and domestic pandemic resurgence, domestic product oil consumption declined and refinery utilization remained low, resulting in a sharp decrease in domestic transshipment demand for imported oil. However, since June 2022, as the domestic pandemic has been gradually brought under control, and under the general keynote of stabilizing national economic growth, refineries’ throughput has been gradually restored, and transshipment oil demands saw an ascending trajectory from the bottom.

Product oil shipping: In the first half of 2022, as international oil prices remained high and were prone to fluctuation, domestic refineries lacked motive for processing. Meanwhile, the sharp rebound of domestic pandemic led to a significant reduction in demand for product oils. In April 2022, the tight inventory of domestic product oils and the delay in harbor led to tight shipping capacity and pushed up the freight prices of product oils. However, with the release of temporary export quotas for product oils in June, domestic product oil cargoes shrank and freight prices reduced due to more ships and less cargoes.

(3) LNG shipping market

In the first half of 2022, global LNG export volume of major countries amounted to approximately 198 million tons, representing an increase of approximately 3.5% over the same period in 2021. In addition to meeting winter heating demand in the Northern Hemisphere, LNG demand in Europe surged due to intensified geopolitical conflicts, while LNG demand in Asia was relatively weak due to high inventory, high prices and the resurging pandemic. Strong demand in Europe underpinned the overall growth of LNG trade.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

More than 25 LNG supply and purchase agreements (“SPAs”) were signed globally in the first half of 2022, which was beneficial for LNG export projects and LNG shipping market in general. To sustain growing LNG demand, European LNG buyers tend to sign long-term supply agreements and invest more in liquefaction projects. The United States, a major supplier of additional LNG export volumes, made the final investment decision (“FID”) for Plaquemines LNG Phase 1 and Corpus Christi LNG Phase 3 in the first half of 2022. The increase in LNG export projects and the addition of long-term LNG SPAs have brought new development opportunities for LNG shipping as LNG trade demands continued to rise driven by global policies for carbon emission reduction.

As of the end of June 2022, the global LNG fleet consisted of a total of 644 LNG carriers (excluding LNG bunkering vessels, FSRU, FSU and FLNG), with a total capacity of approximately 98.45 million cubic meters. In the first half of 2022, 13 LNG vessels with a total capacity of more than 40,000 cubic meters were delivered worldwide and approximately 91 new orders were placed, which already exceeded the number of orders placed in the whole year of 2021. The steep increase in orders was mainly due to the shipping demand generated by the numerous long-term LNG SPAs, coupled Qatar’s berth reservations converting to firms orders.

3. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

As of the end of June 2022, the Group held 161 oil tankers with 23.65 million DWT, representing a decrease of 5 vessels with 1.59 million DWT as compared with that as of the end of 2021. In the first half of 2022, the Group realized a transportation volume (excluding time charters) of 89.1476 million tonnes with a year-on-year increase of 9.7%; transportation turnover (excluding time charters) of 266.048 billion tonne-nautical miles with a year-on-year increase of 8.4%; revenues from principal operations of RMB7.475 billion with a year-on-year increase of 23.0%; cost of principal operations of RMB6.851 billion with a year-on-year increase of 32.8%, and gross profit margin decreased by 6.8 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB0.178 billion with a year-on-year decrease of 69.5%, and EBITDA of RMB2.24 billion with a year-on-year decrease of 17.0%.

In the first half of 2022, under the complex and changing external environment and volatile oil shipping market, the Group prepared for recovery mainly by working in the following six aspects:

The first aspect is to implement precise measures, namely to optimize the layout of VLCC positions based on market trends; the second aspect is to improve the matching of fleet capacity and market trends by making reasonable adjustments to the vessel drydocking schedule; the third aspect is to adjust the operation layout flexibly to fully leverage the advantage of the tankers qualified for both international and domestic shipping markets; the fourth aspect is to lock in a high percentage of basic cargo sources for domestic shipping and continuously enrich customer groups and shipping routes to improve the operating efficiency of domestic shipping; the fifth aspect is to accelerate the construction of the ship management platform with achievements in the development of LNG transportation and encouraging results in project development and implementation, and the sixth aspect is to proactively take measures to promote the smooth flow of energy logistic chain in an efficient manner.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(1) Revenues from Principal Operations

For the six months ended 30 June 2022, overall conditions of the Group's principal operations classified by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or product	Revenues (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Increase/ (decrease) in revenues as compared with the same period in 2021 (%)	Increase/ (decrease) in operating costs as compared with the same period in 2021 (%)	Increase/ (decrease) in gross profit margin as compared with the same period in 2021 (percentage points)
Domestic crude oil	1,539,680	1,079,779	29.9	(0.6)	13.5	(8.7)
Domestic refined oil	1,347,514	1,087,196	19.3	16.4	25.1	(5.6)
Domestic vessel chartering	53,455	49,902	6.6	(2.0)	30.5	(23.2)
Domestic oil shipping						
Sub-total	<u>2,940,649</u>	<u>2,216,876</u>	<u>24.6</u>	<u>6.5</u>	<u>19.2</u>	<u>(8.1)</u>
International crude oil	2,781,449	3,202,672	(15.1)	50.2	49.1	0.9
International refined oil	770,888	683,435	11.3	71.0	35.9	22.9
International vessel chartering	369,639	458,623	(24.1)	(7.9)	28.9	(35.5)
International Oil Shipping						
Sub-total	<u>3,921,976</u>	<u>4,344,730</u>	<u>(10.8)</u>	<u>45.1</u>	<u>44.5</u>	<u>0.4</u>
Oil shipping						
Sub Total	<u>6,862,625</u>	<u>6,561,606</u>	<u>4.4</u>	<u>25.6</u>	<u>34.8</u>	<u>(6.6)</u>
International LNG shipping	612,357	289,527	52.7	(0.1)	(0.8)	0.4
Total	<u><u>7,474,982</u></u>	<u><u>6,851,133</u></u>	<u><u>8.3</u></u>	<u><u>23.0</u></u>	<u><u>32.8</u></u>	<u><u>(6.8)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Principal Operations by Geographical Regions

Geographical regions	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenues as compared with the same period in 2021	Increase/ (decrease) in operating costs as compared with the same period in 2021	Increase/ (decrease) in gross profit margin as compared with the same period in 2021
Domestic shipping	2,940,649	2,216,876	24.6	6.5	19.2	(8.1)
International shipping	4,534,333	4,634,257	(2.2)	36.7	40.5	(2.7)
Total	<u>7,474,982</u>	<u>6,851,133</u>	<u>8.3</u>	<u>23.0</u>	<u>32.8</u>	<u>(6.8)</u>

(2) Shipping Business – Oil and LNG Shipping

International oil shipping business:

In the first half of 2022, the international tanker fleet of the Group achieved revenue from international oil shipping of RMB3.922 billion, representing a year-on-year increase of 45.1%; gross profit for the segment was RMB-423 million, representing a year-on-year decrease of RMB120 million, and gross profit margin was -10.8%, representing a year-on-year increase of 0.4 percentage points.

VLCC fleet: Given the general sluggish market condition in the first half of the year, the Group reduced its fleet capacity in traditional markets and developed a more flexible operating strategy based on its prediction of market opportunities in different regions and its fleet condition, pursuant to which, the Group further expanded the western markets to diversify its operating regions and both the long and short routes. In the first half of 2022, the proportion of working days of VLCC fleet in the Atlantic Region recorded an increase of 4.9 percentage points compared to the same period of 2021 benefitted from the periodic opportunities in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

International small and medium-sized fleet: International oil shipping market had experienced structural changes since the outbreak of the Russian-Ukraine conflict, in light of which, the Group formulated the optimal business strategies after fully assessing the trend of market so as to improve its overall operating efficiency, which mainly include the following:

- (1) Adopted different operating strategies for different types of vessels by taking advantage of the global service outlets. Our 11 self-operated LR1 tankers had created a certain advantage in scale, with more capacity being allocated to routes with high yields. We signed new COAs to lock in cargo sources and undertook the return cargoes of the North-East Asia route to build the “China-Singapore-Middle East-Far East” grand triangular route for our LR fleet. The Australia route had matured with the west reaching East Africa and Europe. The shipping routes and customer groups had realized diversity.
- (2) In view of the market situation of different vessel types in domestic and international shipping in the first half of the year, we seized the periodic opportunities in the international oil shipping market and improved the overall fleet efficiency by making full use of our vessels suitable for both domestic and international voyages to adjust the capacity allocation, in particular, we put 3 domestic vessels into international oil shipping, and changed one clean petroleum product (“**CPP**”) vessel into dirty petroleum product (“**DPP**”) segment.

In addition, the Group also made dynamic adjustments to the drydocking schedule according to the market trend for different types of tankers, so that the Group would seize the relatively peak season of the market with sufficient fleet capacity and promote the whole fleet to achieve the best efficiency.

Domestic oil shipping business:

In the first half of 2022, the domestic oil shipping market generally remained stable. The Group recorded domestic oil shipping revenue of RMB2.941 billion with a year-on-year increase of 6.5%, gross profit of RMB720 million with a year-on-year decrease of RMB179 million, and gross profit margin of 24.6% with a year-on-year decrease of 8.1 percentage points.

- (1) We signed COA contracts with several key customers and locked more than 90% of the primary supply. We consolidated our market share in domestic crude oil shipping market, which reached approximately 57%. We also developed new customers to diversify customer resources and route layout, thereby ensuring the supply for the fleet in coastal operating areas.
- (2) Despite the impact of repeated domestic pandemic, we arranged customized shipping capacity for customers in key regions, and formulated measures such as ‘self-docking and self-berthing, un-contacted cloud measurement’ to ensure the smooth logistics of raw material supply for customers, thereby providing shipping capacity guarantee for the petrochemical industry in terms of smooth operation and resumption of work and production.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (3) By leveraging on our advantages in whole-process logistics transportation, we, according to the logistics needs of customers, formulated whole-process transportation plans with close linkage to domestic transshipment before acquiring crude oil imports, thereby providing customers with precise services and creating value-added services for customers.

LNG shipping business:

In the first half of 2022, the Group realized a net profit attributable to parent company from the LNG shipping segment of RMB383 million, representing a year-on-year increase of RMB41 million.

- (1) The Group seized the opportunity to sign long-term contracts with traders, actively participated in the domestic and international tenders, and promoted the implementation of LNG shipping projects. During the Reporting Period, the Group's LNG fleet size grew steadily. As of the end of the Reporting Period, the Group has invested 49 LNG vessels.
- (2) The Group promoted the independent operation of LNG shipping projects and covered the entire LNG shipping business chain. For the first time, the Group provided Sinochem with long-term LNG shipping services, which was also the first LNG shipping project that was invested, supervised and managed by the Group independently.
- (3) The safety system of the LNG ship management company in Hong Kong passed the American Bureau of Shipping (“**ABS**”) on-site audit and successfully obtained the document of compliance (“**DOC**”) provisional certificate. Meanwhile, the LNG ship management company in Hong Kong also promoted the construction of a high-standard ship management system, equipped with high-quality management personnel and expanded the team of high-level crew members, thereby laying an important foundation for the Group to improve the operation capability of the entire LNG transportation chain.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. COST AND EXPENSES ANALYSIS

For the six months ended 30 June 2022, the composition of the operating costs of the Group's main businesses is as follows:

	For the six months ended 30 June 2022 <i>(RMB'000)</i>	For the six months ended 30 June 2021 <i>(RMB'000)</i>	Increase/ (decrease) (%)	Composition ratio in the six months ended 30 June 2022 (%)
Oil shipping operating costs				
Items				
Fuel costs	2,358,562	1,448,224	62.9	35.9
Port costs	458,521	394,753	16.2	7.0
Sea crew costs	1,098,384	823,220	33.4	16.7
Lubricants expenses	144,411	141,083	2.4	2.2
Depreciation	1,160,554	1,223,961	(5.2)	17.7
Insurance expenses	92,339	86,217	7.1	1.4
Repair expenses	147,558	108,593	35.9	2.2
Charter costs	850,886	448,597	89.7	13.0
Others	250,391	191,477	30.8	3.8
Sub-total	6,561,606	4,866,125	34.8	100.0
LNG shipping operating costs				
Items				
Sea crew costs	57,856	51,922	11.4	20.0
Lubricants expenses	2,416	4,222	(42.8)	0.8
Depreciation	146,975	144,145	2.0	50.8
Insurance expenses	8,238	7,958	3.5	2.8
Repair expenses	58,202	68,286	(14.8)	20.1
Others	15,840	15,318	3.4	5.5
Sub-total	289,527	291,852	(0.8)	100.0
Total	6,851,133	5,157,977	32.8	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Reasons of the changes in cost and expenses:

- (1) Fuel costs: In the first half of 2022, fuel costs increased by approximately 62.9% year-on-year, mainly due to the remaining influences of the imbalanced international crude oil market in 2021 pushing up the oil price and the Russia-Ukraine conflicts in 2022 leading a further increase on oil price.
- (2) Sea crew costs: In the first half of 2022, sea crew costs increased by approximately 32.1%, mainly due to the impact of the sea crew market and year-on-year increase on epidemic subsidies and quarantine expenses.
- (3) Repair expenses: In the first half of 2022, repair expenses increased by approximately 16.3%, mainly due to the periodic influence of dry docking projects.
- (4) Charter costs: In the first half of 2022, charter costs increased by approximately 89.7%, mainly due to a combination of factors such as the increase in oil transportation business volume and demand, the consequent increase in demand for chartering vessels and the fluctuation of chartering prices.

5. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

In the first half of 2022, the two major joint venture and associate of the Group realized a total operating revenue of approximately RMB1,452 million and a total net profit attributable to the parent of approximately RMB739 million with a year-on-year increase of 7.2%. The Group recognized investment income from joint ventures and associates of approximately RMB540 million with a year-on-year increase of 13.1%.

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

Company name	Interest held by the Group	Shipping turnover <i>(billion tonne- nautical miles)</i>	Operating revenues <i>(RMB'000)</i>	Net profit (attributed to the parent) <i>(RMB'000)</i>
CLNG	50%	37.50	500,489	463,586

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Company name	Interest held by the Group	Shipping turnover <i>(billion tonne- nautical miles)</i>	Operating revenues <i>(RMB'000)</i>	Net profit (attributed to the parent) <i>(RMB'000)</i>
Shanghai Beihai Shipping Company Limited	40%	5.84	951,520	275,142

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 RMB812,851, representing a decrease of approximately 49% as compared to approximately RMB1,605,367 for the six months ended 30 June 2021.

(2) Capital commitments

	Note	30 June 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	8,293,277	6,924,783
Equity investments	(ii)	<u>1,473,458</u>	<u>–</u>
		<u>9,766,735</u>	<u>6,924,783</u>

Note:

- (i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2022 to 2026.
- (ii) Included in capital commitments in respect of equity investments are commitments to invest in an associate of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 RMB413,430,888 (31 December 2021: RMB387,974,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,048,222,971 (31 December 2021: RMB2,223,740,000).

(3) Capital Structure

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

The Group's net debt-to-equity ratio as at 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Total debts	27,899,630	25,463,130
Less: cash and cash equivalents	(3,580,471)	(3,523,889)
Net debt	24,319,159	21,939,241
Total equity	31,109,566	29,922,283
Net debt-to-equity ratio	78%	73%

As at 30 June 2022, the balance of cash and cash equivalents amounted to RMB3,580,471,000, representing an increase of RMB56,582,000 and by 2% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar ("HKD") and other currencies.

As at 30 June 2022, the Group's net gearing ratio (i.e. net debts over total equity) was 78%, which was near to 73% as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(4) Trade and bills receivables and contract assets

	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade and bills receivables from third parties	1,023,769	369,222
Trade receivables from related companies (Note)	187,024	7,718
Trade receivables from fellow subsidiaries	10,657	998
Trade receivables from a joint venture	-	34
	1,221,450	377,972
Less: allowance for doubtful debts	(12,272)	(8,490)
	1,209,178	369,482
Current contract assets relating to oil shipping contracts	791,657	750,802
Less: allowance	(2,240)	(1,641)
Total contract assets	789,417	749,161

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	1,041,562	285,553
4 – 6 months	75,221	41,029
7 – 9 months	44,895	18,713
10 – 12 months	23,918	10,454
1 – 2 years	23,096	12,120
Over 2 years	486	1,613
	<u>1,209,178</u>	<u>369,482</u>

(5) Trade and bills payables

	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade and bills payables to third parties	1,342,608	960,141
Trade payables to fellow subsidiaries	904,125	787,821
Trade payables to an associate	6,794	6,259
Trade payables to related companies (Note)	21,455	26,323
	<u>2,274,982</u>	<u>1,780,544</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	1,790,294	1,547,398
4 – 6 months	196,284	58,657
7 – 9 months	160,547	37,475
10 – 12 months	29,854	9,833
1 – 2 years	87,017	112,179
Over 2 years	10,986	15,002
	2,274,982	1,780,544

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

(6) Derivative financial instruments

As at 30 June 2022, the Group had interest rate swap agreements with total notional principal amount of approximately USD744,995,000 (equivalent to approximately RMB4,999,959,000) (31 December 2021: approximately USD507,350,000 (equivalent to approximately RMB3,234,711,000)) which will mature in 2031, 2032, 2033, 2034 and 2035 (31 December 2021: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the Reporting Period, the floating interest rates of the bank borrowings were 3-month London Inter-bank Offered Rate (“LIBOR”) plus 2.20% and 3-month LIBOR plus 1.40% (six months ended 30 June 2021: 3-month LIBOR plus 2.20%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(7) Interest-bearing bank and other borrowings

As at 30 June 2022 and 31 December 2021, details of the interest-bearing bank and other borrowings are as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	1,526,932	1,446,027
Unsecured	<u>5,363,472</u>	<u>6,168,409</u>
	<u>6,890,404</u>	<u>7,614,436</u>
(ii) Other borrowings		
Unsecured	<u>151,882</u>	<u>33,000</u>
Interest-bearing bank and other borrowings – current portion	<u><u>7,042,286</u></u>	<u><u>7,647,436</u></u>
Non-current liabilities		
(i) Bank borrowings		
Secured	12,453,449	11,959,656
Unsecured	<u>2,348,990</u>	<u>637,571</u>
	<u>14,802,439</u>	<u>12,597,227</u>
(ii) Other borrowings		
Unsecured	<u>895,223</u>	<u>69,850</u>
Interest-bearing bank and other borrowings – non-current portion	<u><u>15,697,662</u></u>	<u><u>12,667,077</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 30 June 2022, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2021: 45) vessels and 3 (31 December 2021: nil) vessels under construction with total net carrying amount of RMB20,096,675,000 (31 December 2021: RMB20,561,254,000) and RMB1,213,810,000 (31 December 2021: RMB nil) respectively.

(8) Bonds payable

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the period/year	2,538,514	2,495,824
Interest charge	64,131	42,690
	2,602,645	2,538,514
Less: current portion	(2,602,645)	(2,538,514)
Non-current portion	-	-

(9) Contingent liabilities and guarantee

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB55,033,000). 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 30 June 2022, the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB42,953,000).

- (iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “**Banks**”), to the extent of amount of USD377,500,000 (equivalent to approximately RMB2,533,554,000), 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. As at 30 June 2022, the balance of guarantees was USD314,107,000 (equivalent to approximately RMB2,108,099,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited (“**Four Single-vessel Companies**”). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provided owner’s guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB30,201,000). 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 USD and HKD against RMB. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities.

(11) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 30 June 2022 and 31 December 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

7. FLEET EXPANSION PROJECTS

For the six months ended 30 June 2022, the cash inflow from investment activities of the Group, which has been paid for the construction and purchase of new vessels, was approximately RMB1.53 billion.

In terms of fleet expansion, for the six months ended 30 June 2022, the Group's subsidiaries received 2 oil tankers of 355,000 DWT and disposed 1 oil tanker of 159,000 DWT.

As at 30 June 2022, the specific composition of the Group's fleet was as follows:

	Vessel in operation			Vessel under construction	
	Number	DWT/ cubic meters '0000	Average age	Number	DWT/ cubic meters '0000
Subsidiaries of the Group					
Oil tanker	155	2,206	10.7	–	–
LNG carrier	6	105	4.9	8	139
Sub-total	161	2,206/105	10.5	8	139
Long-term charter-in oil tanker	6	159	9.2	–	–
Joint ventures and associates					
Oil tanker	14	83	10.1	3	31
LNG carrier	32	537	5.6	3	52
Sub-total	46	83/537	7.0	6	31/52
Total	213	2,448/642	9.7	14	31/191

8. OUTLOOKS AND HIGHLIGHTS OF THE SECOND HALF OF 2022

(1) Competitive landscape and development trends in the industry

International oil shipping market

In the second half of 2022, amid the market landscape of global oil trade expected to be reshaped by the decoupling of Europe and Russia in oil, the seaborne oil trade turnover will be increased, despite the weakness of recovery due to the inflationary pressure on the global economy. According to U.S. Energy Information Administration (“EIA”), the oil demand is estimated to be 99.40 million barrels per day for the year, while the global oil supply is 99.80 million barrels per day. The anticipation of gradual improvement in oil demand and the end of the OPEC+ production cut policy are expected to promote a simultaneous rebound in seaborne oil trade volume.

In terms of tonnage supply and demand, crude oil tanker demand and supply will increase by 6.2% and 4.6% respectively in 2022 based on the forecast of Clarksons, of which the VLCC demand and supply will increase by 5.9% and 5.8% respectively; and product oil tankers demand and supply will increase by 7.2% and 1.8% respectively. As the restructuring of the oil trade brought about by the decoupling of Europe and Russia in energy will continue to push up the demand for crude oil tanker tonnage. Recently, the active Atlantic market has attracted more VLCC slots, making the overall layout of VLCCs increasingly balanced. Along with strong confidence of shipowners, the freight rate increased significantly. It is expected that in the second half of 2022, the Atlantic market will still continue to strengthen the demand for VLCC vessels. It is also expected that more demand will be brought about for oil product transportation in the coming fourth quarter of 2022 as the traditional peak season of oil shipping market. The transportation demand for product oil tanker is expected to maintain a outstanding performance driven by positive factors such as diesel supply shortage and lengthening shipping distance.

In terms of tonnage supply, the oil tanker tonnage is expected to grow at a rate of 3.7% for the year. In particular, 22 VLCCs will be delivered in the second half of the year, and the tonnage for the year will maintain a relatively high growth rate of 5.8%. However, new ship deliveries are expected to remain low from 2023 onwards. Moreover, driven by the low-carbon development of the shipping industry and the environmental policies for the industry, coupled with the introduction of environmentally friendly clean-fueled vessels, it is a general trend to phase out old ships.

Overall, with the recent rise of VLCC TCE, the international oil shipping market prosperity flourished comprehensively. In the medium term, the optimization of the supply side will still be the key driver to a new upward cycle. However, it is important to note that changes in productive elements such as high fuel prices and the shortage of senior tanker crews will have an impact on the ultimate revenue of shipowners to a certain extent.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Domestic oil shipping market

The domestic oil demand generally shows a positive trend in the second half of the year. In the crude oil transportation segment, the production and sales of offshore oil and pipeline oil are expected to remain at normal levels, so the demand for transportation will be stable, and the demand for transportation in the transshipment oil market is also expected to increase due to the recovery of the domestic refining utilisation. In addition, some large-scale refining projects are expected to be formally put into production in the third quarter, which will bring transportation increments to the market. After the pandemic alleviates and downstream consumer demand recovers, the product oil transportation market is expected to gradually stabilize.

LNG shipping market

According to the forecast of shipping research institutes, the global LNG trade volume will reach 392 million tons in 2022, representing a year-on-year increase of 5.4%. In the short term, LNG prices continue to rise, which has affected the demand for LNG procurement in Asia to a certain extent, and part of the power generation demand has been met by traditional fuels such as coal instead. However, the strong LNG demand in Europe, coupled with the shutdown of the U.S. Freeport LNG terminals and the interruption of LNG supply in other regions, will tighten the overall LNG supply in the second half of 2022.

In the medium to long term, the outlook for LNG trade remains positive. The current global LNG production capacity is about 462 million tons/year, and it is expected to reach nearly 747 million tons/year in 2027, with an average compound annual growth rate of nearly 10%. In the first half of 2022, about 25 LNG supply and sales agreements have been signed worldwide, of which 22 agreements relating to U.S. LNG export projects, with LNG production capacity of about 29 million tons/year in total, and it is expected to increase in the second half of the year. Meanwhile, in the second half of 2022, final investment decisions are expected to reach for many LNG export projects being deferred for approval in 2020-2021. The increase in the number of long-distance LNG trading projects will also benefit the LNG shipping market, pushing traders to lock shipping capacity in advance.

(2) Highlights for the second half of 2022

In the second half of 2022, in response to the complex and ever-changing internal and external situations, the Group will proactively seize market opportunities and take various measures to cope with market challenges. In terms of production operations, the Group will focus on corporate efficiency and uphold a problem-oriented philosophy to steadily promote “the stability, progress and quality in operating efficiency, safety management, and governance efficiency”, so as to achieve its annual work milestone of “high-quality development to a new level”.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (1) The Company will actively serve global customers and ensure the safety and stability of the energy supply chain. To meet the needs of global customers, the Company will strengthen customized services that provide customers with convenient and suitable shipment capacity. In addition, it will give full play to its operating advantages, such as its capacity of oil tanker fleet and LNG fleet, global network layout and customer management system, so as to provide customers with a solid shipment guarantee for energy transportation and trade.
- (2) The Company will closely monitor the changes in the international oil trade pattern to seize market opportunities and flexibly adjust the operation layout of VLCCs. Moreover, it will prefer the westbound cargoes and actively build a big triangle route to improve the overall efficiency of the voyages. Under the background of favorable spot freight rates for small and medium-sized vessels in foreign trade, the Group will facilitate flexible linkage among fleets and explore time charter opportunities in a timely manner.
- (3) The Company will further improve customer service levels by providing logistics optimization solutions and improving capacity adaptation for domestic and foreign customers. Moreover, the Company will actively follow up with potential transportation demand, and explore new growth points of transportation demand, so as to acquire high-quality new cargo sources.
- (4) The Company will conduct market research and analysis on LNG transportation, continue to seize the market opportunities brought by the goal of carbon peaking and carbon neutrality, optimize its marketing strategies, and increase its efforts in project development. Moreover, the Company will strictly monitor the construction of vessels to ensure that new buildings can be delivered on schedule and put into operation with high quality. In addition, the Company will coordinate vessel management resources, comply with world-class standards, as well as make LNG Hong Kong better and stronger, so as to enhance the comprehensive competitiveness in LNG transportation.
- (5) The Company will strive to tap the potential of cost reduction and efficiency improvement. To this end, it will strengthen the research into the fuel market and improve judgment so as to lock in fuel for the future and procure at present scientifically. It will also refine the management of fuel consumption in daily operation by formulating saving plans on a ship-by-ship basis, so that the fuel consumptions in adding oil temperature of oil tanker and other parts during voyages are well-controlled. Besides, it will scientifically evaluate the operating cost of the vessels' whole life cycle to make corresponding investments in a tailor-made manner. At last, it will continue to facilitate the execution of preferential port usage agreements.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (6) The Company will keep optimizing its risk control system to build up a solid foundation for risk prevention and control. It will follow all requirements in every way to safeguard its operating activities. In particular, it will strengthen the prevention and control of safety risks and the identification of hidden dangers to ensure the smooth operation of the fleet. Furthermore, it will implement sufficient anti-pandemic measures both on and off the ships as well as mobilise internal and external resources as required to promote the shift change of crew during the pandemic.
- (7) The Company will keep tracking the technology development of vessels with green, low-carbon and intelligent features and the new shipbuilding market, and make more research on renewable energy powered transportation and green vessels to accumulate technologies of renewable energy powered vessels and get ready to carry out such transportation business. The Company will also monitor the fluctuations in value of vessels and revenue from dismantling closely and improve the tanker fleet structure at the first opportunity.
- (8) The Company will keep improving its comprehensive governance efficiency and production and operation quality by adhering to the principle of “driven by business and leading by demand” through applying digital technology and increasing cooperation and investment in technological research and development to enhance the efficiency of the Group’s core business systems and facilitate vessel safety management. In addition, the Group will advance its benchmarking management more comprehensively and pay special attention to the corresponding transforming results in fields of market operation and cost control. Furthermore, the Group will improve the overall quality of its workforce continuously by recruiting more young professionals, providing trainings to the entire staff, etc., to help the Group develop along a high-quality and innovation road.

9. OTHER MATTERS

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

(1) Retirement of Mr. Zhang Qinghai (“Mr. Zhang”)

Mr. Zhang has resigned as a non-executive Director, a member of the Strategy Committee of the Company, due to reaching retirement age, with effect from 8 July 2022.

(2) Retirement of Mr. Liu Zhusheng (“Mr. Liu”)

Mr. Liu has resigned as a non-executive Director, a member of the Strategy Committee of the Company, due to reaching retirement age, with effect from 8 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(3) Retirement of Mr. Teo Siong Seng (“**Mr. Teo**”)

On 8 July 2022, Mr. Teo has resigned as an independent non-executive Director, a member of Audit Committee, the Remuneration and Appraisal Committee and the Strategy Committee, due to reaching the limit of his appointment period.

(4) Retirement of Ms. Yao Qiaohong (“**Ms. Yao**”)

Ms. Yao has resigned as the Company Secretary and the authorized representative of the Company under the Listing Rules of the Hong Kong Stock Exchange, due to her job changes, with effect from 22 July, 2022.

(5) Appointment of Ms. Ni Yidan (“**Ms. Ni**”)

At the Board meeting of the Company held on 22 July 2022, the appointment of Ms. Ni as the Company Secretary and the authorized representative of the Company under the Listing Rules of the Hong Kong Stock Exchange was approved by the Board of Directors.

(6) Retirement of Mr. Zhao Jinwen

Mr. Zhao Jinwen, the deputy general manager of the Company, resigned from the position of deputy general manager of the Company due to retirement age, and his resignation took effect from July 29, 2022.

(7) Change of Position of Ms. Li Zhuoqiong (“**Ms. Li**”)

Ms. Li, the deputy general manager of the Company, has resigned from the position of deputy general manager of the Company due to change of position. The resignation took effect from July 29, 2022.

(8) Appointment of Mr. Wang Wei (“**Mr. Wang**”)

At the extraordinary general meeting of the Company held on 12 August 2022, the appointment of Mr. Wang as a non-executive Director was approved by the shareholders of the Company. Mr. Wang was also appointed as a member of the Strategy Committee of the Company by the Board.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) Issue of shares

During the Reporting Period, as a result of exercise of share options granted under the share option incentive schemes, an aggregate of 8,084,510 A shares with nominal value of RMB1.0 per each A share were allotted and issued. Further details are set out in the paragraph headed " (5) Incentive Scheme" below.

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

As at the 30 June 2022, 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 "Hong Kong Stock Exchange") were as follows:

Name of substantial shareholders	Class of shares ⁽¹⁾	Number of shares held ⁽²⁾	Percentage of the total number of shares of the relevant class	Percentage of the total number of issued shares
China Shipping Group Company Limited ⁽³⁾	A	1,536,924,595 (L)	44.23%	32.22%
COSCO SHIPPING ⁽³⁾	A	2,156,350,790 (L)	62.06%	45.20%
GIC Private Limited ⁽⁴⁾	H	103,304,500 (L)	7.97%	2.17%
Brown Brothers Harriman & Co. ⁽⁵⁾	H	77,548,021 (L)	5.98%	1.63%
		77,548,021 (P)	5.98%	1.63%
FIL Limited ⁽⁶⁾	H	77,300,000 (L)	5.96%	1.62%
		24,000 (S)	0.00%	0.00%
Pandanus Associates Inc. ⁽⁷⁾	H	77,300,000 (L)	5.96%	1.62%
		24,000 (S)	0.00%	0.00%
Pandanus Partners L.P. ⁽⁶⁾	H	77,300,000 (L)	5.96%	1.62%
		24,000 (S)	0.00%	0.00%

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Note 2: As at 30 June 2022, the total issued share capital of the Company was 4,770,776,395 shares of which 1,296,000,000 were H shares and 3,474,776,395 were A shares.

Note 3: COSCO SHIPPING directly holds 619,426,195 A shares, accounting for approximately 12.98% of the total issued share capital of the Company. COSCO SHIPPING is the sole shareholder of China Shipping Group Company Limited. Therefore, COSCO SHIPPING (itself and through its subsidiaries) is interested in 2,156,350,790 shares in total.

Note 4: As at 30 June 2022, 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 5: As at 30 June 2022, Brown Brothers Harriman & Co. held the above-mentioned shares of the Company in the capacity as approved lending agent.

Note 6: As at 30 June 2022, 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 77,300,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 7: As at 30 June 2022, 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 77,300,000 H shares (long position) are held by it as interest of corporation controlled by it.

Note 8: As at 30 June 2022, 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 77,300,000 H shares (long position) are held by it as interest of corporation controlled by it.

Save as disclosed above, as at 30 June 2022, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(4) Directors' and Supervisors' interests in contracts

As at 30 June 2022 or during the Reporting Period, none of the Directors or Supervisors, or an entity connected with a Director or a Supervisor, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party.

(5) Incentive Scheme

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

Details of movement of the options granted under the Incentive Scheme for the Reporting Period and up to the date of this report were as follows:

Name or category of participants	Number of options					As at the date of this report	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
	As at 1 January 2022	Granted during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Exercised during the Reporting Period					
Zhu Majin (Director)	416,000 ⁽¹⁾	-	(137,280) ⁽²⁾	-	(137,280) ⁽⁴⁾	141,440	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025 ⁽⁴⁾	5.74 ⁽²⁾
Other management and core technical personnel (132 participants)	28,364,000 ⁽¹⁾	-	(9,360,120) ⁽²⁾	(1,025,770) ⁽³⁾	(7,947,230) ⁽⁴⁾	10,030,880	27 December 2019	3 years from date of grant	28 December 2020 to 27 December 2026 ⁽⁴⁾	5.74 ⁽²⁾
Total	28,780,000	-	(9,497,400)⁽²⁾	(1,025,770)⁽³⁾	(8,084,510)⁽⁴⁾	10,172,320				

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (1) The closing price of the A shares immediately before the date on which the options were granted was RMB4.50.
- (2) The exercise price was adjusted from RMB6.00 to RMB5.98 at the Board meeting on 30 March 2020. The exercise price was adjusted from RMB5.98 to RMB5.94 at the Board meeting on 29 October 2020. The exercise price was adjusted from RMB5.94 to RMB5.74 at the Board meeting on 30 August 2021.

The exercise price of RMB5.74 represented approximately a 38.08% discount of the closing market price of A shares of the Company on the trading day immediately preceding the date of issue of such 8,084,510 A shares (i.e. RMB9.27 per each A share).

- (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. 9,497,400 share options granted but not yet exercised during the first exercise period of the share option incentive plan were lapsed and 1,025,770 share options held by 5 participants has been cancelled at the Board meeting on 29 April 2022.
- (4) At the board meeting held on April 29, 2022, the Board considered that the exercise conditions of the second period of the Incentive Scheme had been achieved and agreed the 105 eligible participants to exercise 8,992,170 share options at the price of 5.74RMB. As of May 6, 2022, the Company has received a total of RMB46,405,087.40 of 8,084,510 exercised share options paid by 100 participants, among which RMB8,084,510 was accounted into the share capital, and RMB38,320,577.40 was accounted into the capital reserve of the Company. The total raised net proceeds of RMB46,405,087.40 were fully used as the supplement to the liquidity of the Company pursuant to the terms and conditions of the Incentive Scheme. Further details of the exercise of the options are set out in the Company's overseas regulatory announcements dated 27 May 2022.

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

As at the date of the publication of this report, the Company had no outstanding share options pending to be granted. Accordingly, the total number of shares available for issue under the Incentive Scheme was 10,172,320, which represented approximately 0.21% of the total issued shares of the Company as at the date of publication of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

As at 30 June 2022, the Directors, Supervisors and chief executive(s) of the Company who had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

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

Name of Director Nature of interest	Nature of Beneficial owner	Class of shares ⁽¹⁾	Number of shares interested ⁽²⁾	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Zhu Maijin ("Mr. Zhu") ⁽³⁾	Beneficial owner	A	278,720(L)	0.00802%	0.00584%
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 137,280 A Shares held by Mr. Zhu, and Mr. Zhu's entitlement to purchase up to 141,440 A Shares of the Company pursuant to the exercise of share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Name of associated corporation	Name of Director	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Teo Siong Seng	Beneficial owner	H	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)	0.00006%	0.00005%
COSCO SHIPPING Development Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	213,000 (L)	0.00579%	0.00157%
COSCO SHIPPING Ports Limited	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597 (L)	0.00079%	0.00079%
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 30 June 2022, save as disclosed above, none of the Directors, Supervisors and chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

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

Save for the issue of 8,084,510 A shares under the Incentive Scheme above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

(9) Compliance with the Corporate Governance Code

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

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

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the Listing Rules.

(10) Audit Committee

The Board has established the Audit Committee to review the financial reporting procedures of the Group and to provide guidance thereto. The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Victor Huang (chairman), Mr. Zhao Jinsong and Mr. Wang Zuwen.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(11) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company comprises three independent non-executive Directors, namely Mr. Li Runsheng (chairman), Mr. Victor Huang and Mr. Wang Zuwen. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the relevant requirements of the Corporate Governance Code.

(12) Nomination Committee

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

(13) Strategy Committee

The Strategy Committee of the Company comprises five members (including two executive Directors, one non-executive Director, and two independent non-executive Directors), namely Mr. Ren Yongqiang (chairman), Mr. Zhu Maijin, Mr. Wang Wei, Mr. Li Runsheng and Mr. Zhao Jinsong. It is responsible for the consideration, evaluation and review of investment projects and making recommendations to the Board on proposed major investments, acquisitions and disposals, and conducting post-investment evaluation of investment projects. It also reviews and considers the overall strategy, which covers the strategies of sustainable development, environment, social and governance and business development of the Company.

(14) Risk Control Committee

The Risk Control Committee of the Company consists of three members (including one executive Director and two independent non-executive Directors), namely Mr. Zhao Jinsong (chairman), Mr. Ren Yongqiang and Mr. Wang Zuwen. The major terms of reference of the Risk Control Committee are to consider risk control strategies and major risk control solutions, to review the effectiveness of the Company's risk management, to consider major decisions and risk assessment report of major projects, to guide and promote the legal construction of the Company, and supervise the legal operation of the Company by the management and other risk control matters authorized by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

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

(16) Employees

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

As at 30 June 2022, the Company had 7,821 employees (as at 30 June 2021: 7,435). During the Reporting Period, the total staff cost of the Company was approximately RMB1.68 billion (for the same period in 2021: approximately RMB1.23 billion).

(17) Investor Relations

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

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

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

- (1) Class of Shares: A Shares
- (2) Nominal value per Share: RMB1.00
- (3) Number of Shares issued: 730,659,024 A Shares
- (4) Issue price: RMB6.98 per A Share
- (5) Net price: Approximately RMB6.95 per A Share
- (6) Market price of A Shares on the price determination date (being March 4, 2020): RMB5.88 per A Share
- (7) Gross proceeds: RMB5,099,999,987.52
- (8) Costs of the issuance: RMB23,993,881.71 (taking into account the deduction of value-added tax: RMB23,126,594.94)
- (9) Net proceeds: RMB5,076,006,105.81

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

Details of the usage of the proceeds raised:

unit: RMB million

No.	Project	Net proceeds	Utilized proceeds as of 30 June 2022	Unutilized proceeds as of 30 June 2022
1	Acquisition of 14 oil tankers	4,688.23	4,721.94	0
	Including: 4 VLCC oil tankers	1,971.51	1,985.23	0
	3 Suezmax oil tankers	992.10	992.10	0
	3 Aframax oil tankers	778.04	798.04	0
	2 LR2 product oil tankers	531.67	531.67	0
	2 Panamax oil tankers	414.90	414.90	0
2	Acquisition of two Panamax oil tankers (72,000-tonne class)	387.78	387.78	0
	Total	<u>5,076.01</u>	<u>5,109.72</u>	<u>0</u>

As at 28 February 2022, the investment project raised by the Group's Non-public Issuance of A Shares had been completed. As at 23 March 2022, the Group replenished the working capital with the balance of the raised fund account of RMB9,110,862.67, and closed the special account for raised funds.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

As at 30 June 2022, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

(20) MATERIAL ACQUISITIONS AND DISPOSALS

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

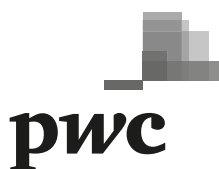
(21) Events After the Reporting Period

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

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Ren Yongqiang
Chairman

Shanghai, the PRC
30 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 96, which comprises the interim condensed consolidated statement of financial position of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2022 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenues	6	7,474,982	6,078,251
Operating costs		(6,851,133)	(5,157,977)
Gross profit		623,849	920,274
Other income and net gains	7	239,554	336,578
Marketing expenses		(15,842)	(15,342)
Administrative expenses		(472,364)	(385,593)
Net impairment losses on financial and contract assets		(4,192)	(5,750)
Other expenses		(13,613)	(28,340)
Share of profits of associates		177,304	130,097
Share of profits of joint ventures		363,696	348,351
Finance costs	8	(462,745)	(425,067)
Profit before tax	9	435,647	875,208
Income tax expense	10	(91,926)	(131,335)
Profit for the period		343,721	743,873
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss, net of tax:</i>			
Changes in the fair value of equity investments at fair value through other comprehensive (loss)/income		(51,238)	75,312
Remeasurement of defined benefit plan payable		899	1,236
Exchange differences from retranslation of financial statements attributable to non-controlling interests		31,661	6
<i>Items that may be reclassified to profit or loss, net of tax:</i>			
Exchange differences from retranslation of financial statements attributable to equity holders of the Company		264,345	(77,403)
Net gain on cash flow hedges		260,378	132,789
Hedging gain reclassified to profit or loss		55,179	61,543
Share of other comprehensive loss of associates		(16,401)	(11,775)
Share of other comprehensive income of joint ventures		260,821	54,765
Other comprehensive income for the period		805,644	236,473
Total comprehensive income for the period		1,149,365	980,346

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

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
Note		RMB'000	RMB'000
Profit for the period attributable to:			
	Equity holders of the Company	177,600	581,974
	Non-controlling interests	<u>166,121</u>	<u>161,899</u>
	Profit for the period	<u>343,721</u>	<u>743,873</u>
Total comprehensive income for the period attributable to:			
	Equity holders of the Company	794,549	669,010
	Non-controlling interests	<u>354,816</u>	<u>311,336</u>
		<u>1,149,365</u>	<u>980,346</u>
Earnings per share			
			11
	– Basic (RMB cents/share)	3.73	12.22
	– Diluted (RMB cents/share)	<u>3.73</u>	<u>12.22</u>

The notes on pages 50 to 96 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties		10,387	10,387
Property, plant and equipment	13	45,131,025	43,286,633
Right-of-use assets	14	875,800	915,813
Goodwill		73,325	73,325
Investments in associates	15	2,707,182	2,746,279
Investments in joint ventures	16	4,887,942	4,126,124
Loan receivables	17	1,258,350	1,197,618
Financial assets at fair value through other comprehensive income	18	437,922	506,240
Deferred tax assets	19	39,223	40,387
		55,421,156	52,902,806
CURRENT ASSETS			
Current portion of loan receivables	17	23,392	27,912
Inventories	20	1,126,539	1,013,203
Contract assets	21	789,417	749,161
Trade and bills receivables	21	1,209,178	369,482
Prepayments, deposits and other receivables	22	900,714	785,266
Tax recoverable		1,548	16,451
Pledged bank deposits	23	768	767
Cash and cash equivalents	23	3,580,471	3,523,889
		7,632,027	6,486,131
TOTAL ASSETS		63,053,183	59,388,937

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Provision and other liabilities		15,286	15,286
Derivative financial instruments	24	238,405	556,105
Interest-bearing bank and other borrowings	25	15,697,662	12,667,077
Other loans	26	937,873	911,337
Employee benefits payable		163,612	166,301
Lease liabilities	14	1,222,914	1,329,584
Deferred tax liabilities	19	459,564	483,139
		18,735,316	16,128,829
CURRENT LIABILITIES			
Trade and bills payables	28	2,274,982	1,780,544
Other payables and accruals	29	816,919	904,171
Contract liabilities		16,660	23,737
Current portion of provision and other liabilities		162	–
Current portion of interest-bearing bank and other borrowings	25	7,042,286	7,647,436
Current portion of other loans	26	46,226	43,386
Current portion of bonds payable	27	2,602,645	2,538,514
Current portion of employee benefits payable		28,648	27,271
Current portion of lease liabilities	14	350,024	325,796
Taxes payable		29,749	46,970
		13,208,301	13,337,825
TOTAL LIABILITIES		31,943,617	29,466,654
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	4,770,776	4,762,692
Reserves		24,659,131	23,828,354
		29,429,907	28,591,046
Non-controlling interests		1,679,659	1,331,237
TOTAL EQUITY		31,109,566	29,922,283

Ren Yongqiang
Director

Zhu Maijin
Director

The notes on pages 50 to 96 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY															
	Share capital	Share premium	Share Revaluation Reserve	Capital Reserve	Merger Reserve	Statutory Reserve	Safety fund Reserve	General surplus reserve	FVOCI Hedging Reserve	FVOCI Revaluation reserve	Translation Reserve	Retained Profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 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
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	177,600	177,600	166,121	343,721
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	899	899	-	899
Currency translation differences	-	-	-	-	-	-	-	-	-	-	264,345	-	264,345	31,661	296,006
Net gain on cash flow hedges	-	-	-	-	-	-	-	-	106,234	-	-	-	106,234	154,144	260,378
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	22,513	-	-	-	22,513	32,666	55,179
Fair value gain on financial assets at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-	-	-	-	-	(26,131)	-	-	(26,131)	(25,107)	(51,238)
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(18,805)	757	6,316	-	(11,732)	(4,669)	(16,401)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	107,051	-	153,770	-	260,821	-	260,821
Total comprehensive income for the period	-	-	-	-	-	-	-	-	216,993	(25,374)	424,431	178,499	794,549	354,816	1,149,365
Issue of A shares in connection with the exercise of share options	8,084	38,321	-	-	-	-	-	-	-	-	-	-	46,405	-	46,405
Accrual of safety fund reserve	-	-	-	-	-	-	53,998	-	-	-	(53,082)	-	(4,084)	4,084	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(38,610)	-	-	-	-	39,327	717	(717)	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(142,270)	(142,270)
Fair value of share options granted	-	-	-	1,274	-	-	-	-	-	-	-	-	1,274	-	1,274
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	132,509	132,509
At 30 June 2022 (unaudited)	4,770,776	12,134,474	273,418	106,700	(286,027)	2,877,435	19,872	93,158	(338,361)	99,861	(23,246)	9,701,847	29,429,907	1,679,659	31,109,566

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2022

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share capital RMB'000	Share Premium RMB'000	Share Revaluation Reserve RMB'000	Capital Reserve RMB'000	Merger Reserve RMB'000	Statutory Reserve RMB'000	Safety fund Reserve RMB'000	General			FVOCI		Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
								General surplus reserve RMB'000	Hedging Reserve RMB'000	Revaluation reserve RMB'000	Transition Reserve RMB'000	Retained Profits RMB'000			
At 31 December 2020	4,762,692	12,096,163	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	990,518	35,602,346
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	581,974	581,974	161,899	743,873
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	1,236	1,236	-	1,236
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(77,403)	-	(77,403)	6	(77,397)
Net gain on cash flow hedges	-	-	-	-	-	-	-	-	54,178	-	-	-	54,178	78,611	132,789
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	25,110	-	-	-	25,110	36,433	61,543
Fair value gain on FVOCI	-	-	-	-	-	-	-	-	(9,128)	(44)	(87)	-	38,409	36,903	75,312
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,516)	(11,775)
Share of other comprehensive profit of joint ventures	-	-	-	-	-	-	-	-	107,029	-	(62,264)	-	54,765	-	54,765
Total comprehensive income for the period	-	-	-	-	-	-	-	-	177,189	38,065	(129,754)	583,210	669,010	311,336	980,346
Accrual of safety fund reserve	-	-	-	-	-	-	62,427	-	-	-	-	(66,641)	(4,214)	4,214	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(25,697)	-	-	-	-	28,294	2,597	(2,597)	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,076)	(90,076)
Dividends paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	-	(962,539)	(962,539)	-	(962,539)
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(7,118)	(7,118)	-	(7,118)
Fair value of share options granted	-	-	-	3,149	-	-	-	-	-	-	-	-	3,149	-	3,149
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	74,384	74,384
At 30 June 2021 (unaudited)	4,762,692	12,096,163	273,418	104,403	(286,027)	2,877,435	51,205	93,158	(589,153)	145,017	(255,333)	15,059,745	34,332,713	1,277,779	35,610,492

The notes on pages 50 to 96 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	812,851	1,605,367
INVESTING ACTIVITIES		
Interest received	38,673	46,616
Payments for construction in progress	(1,619,193)	(2,056,391)
Purchases of property, plant and equipment	(2,174)	(173)
Investments in joint ventures	(321,116)	–
Proceeds from disposal of property, plant and equipment	109,122	976
Repayment from associates	12,835	12,478
Repayment from joint ventures	7,244	5,618
Dividends received from associates	–	151,880
Dividends received from a joint venture	129,884	186,602
Increase in pledged bank deposits	(1)	(2)
NET CASH USED IN INVESTING ACTIVITIES	(1,644,726)	(1,652,396)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
FINANCING ACTIVITIES		
Interest paid	(322,448)	(376,715)
Dividends paid to non-controlling interests of subsidiaries	(142,270)	(90,076)
Dividends paid to previous shareholder of a subsidiary	–	(27,119)
Repayment of other loans	(21,388)	(21,696)
Increase in interest-bearing bank and other borrowings	7,945,845	3,284,028
Repayment of interest-bearing bank and other borrowings	(6,609,142)	(3,776,715)
Lease payments	(204,088)	(109,614)
Contribution from non-controlling interests of a subsidiary	132,509	74,384
Contribution from shareholders of the Company	46,405	–
Share issue cost and borrowings acquisition cost	(5,542)	(1,064)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	819,881	(1,044,587)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,994)	(1,091,616)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,523,889	4,869,963
Effect of foreign exchange rate changes, net	68,576	(20,134)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,580,471	3,758,213

The notes on pages 50 to 96 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

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

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

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

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2022 (the “**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

The Interim Financial Information was approved for issue by the Board on 30 August 2022.

The Interim Financial Information has not been audited.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

2. BASIS OF PREPARATION

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

The Interim Financial Information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) except for the adoption of new and amended standards as disclosed in Note 3.

The Interim Financial Information has been prepared under the historical cost convention, except that the following assets and liabilities are measured at fair values, as

- investment properties;
- certain equity investments that are measured at fair value/financial assets at fair value through other comprehensive income (“**FVOCI**”); and
- derivative financial instruments.

Going concern

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by approximately RMB5,576 million and cash and cash equivalents increased by RMB57 million from last year. In addition, the Group recorded a profit of RMB344 million for the Reporting Period. In preparing the Interim Financial Information, 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 30 June 2022, the Group has total unutilised uncommitted credit facilities of approximately RMB41,346 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 the Interim Financial Information on a going concern basis.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total earnings.

(a) New standards, amendments and interpretation adopted by the Group in the six months ended 30 June 2022

- 2021 Amendments to HKFRS16 – Regarding COVID-19 Related Rent Concessions beyond 30 June 2021

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2022 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

4. ESTIMATES

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

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

Management determines the estimated residual value for its vessels by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of vessels are different from the previous estimate.

In addition to above, in preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
As at 30 June 2022				
Trade and bills payables	2,274,982	–	–	2,274,982
Financial liabilities included in other payables and accruals (excluding interest payable)	816,919	–	–	816,919
Interest payable in relation to borrowings and bonds	149,489	–	–	149,489
Derivative financial instruments	–	–	238,405	238,405
Lease liabilities	408,207	404,710	914,361	1,727,278
Interest-bearing bank and other borrowings	7,605,619	2,122,270	16,565,715	26,293,604
Other loans	99,947	99,215	1,075,257	1,274,419
Bonds payable	2,626,800	–	–	2,626,800
	<u>13,981,963</u>	<u>2,626,195</u>	<u>18,793,738</u>	<u>35,401,896</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
At 31 December 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
	<u>13,878,538</u>	<u>2,068,480</u>	<u>16,210,993</u>	<u>32,158,011</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2022				
Financial assets:				
Financial assets at FVOCI	<u>437,922</u>	<u>-</u>	<u>-</u>	<u>437,922</u>
Financial liabilities:				
Derivative financial instruments	<u>-</u>	<u>238,405</u>	<u>-</u>	<u>238,405</u>
At 31 December 2021				
Financial assets:				
Financial assets at FVOCI	<u>506,240</u>	<u>-</u>	<u>-</u>	<u>506,240</u>
Financial liabilities:				
Derivative financial instruments	<u>-</u>	<u>556,105</u>	<u>-</u>	<u>556,105</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

Fair value hierarchy has been defined in the Group's consolidated financial statements disclosed in the Company's 2021 annual report. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in the current and prior periods.

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

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

(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 cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

6. REVENUES AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

a. oil shipping

- oil shipping
- vessel chartering

b. LNG shipping

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

6. REVENUES AND SEGMENT INFORMATION (continued)

Business segments

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

	Six months ended 30 June			
	2022		2021	
	Revenues RMB'000	Contribution RMB'000	Revenues RMB'000	Contribution RMB'000
By principal activity:				
Oil shipping				
– Oil shipping	6,439,531	386,450	5,009,556	550,755
– Vessel chartering	423,094	(85,431)	456,027	48,704
	6,862,625	301,019	5,465,583	599,459
LNG shipping	612,357	322,830	612,668	320,815
	<u>7,474,982</u>	<u>623,849</u>	<u>6,078,251</u>	920,274
Other income and net gains		239,554		336,578
Marketing expenses		(15,842)		(15,342)
Administrative expenses		(472,364)		(385,593)
Net impairment losses on financial and contract assets		(4,192)		(5,750)
Other expenses		(13,613)		(28,340)
Share of profits of associates		177,304		130,097
Share of profits of joint ventures		363,696		348,351
Finance costs		(462,745)		(425,067)
Profit before tax		<u>435,647</u>		<u>875,208</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

6. REVENUES AND SEGMENT INFORMATION (continued)

Business segments (continued)

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

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

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

During the periods ended 30 June 2022 and 2021, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

	30 June 2022 RMB'000	31 December 2021 RMB'000
Total segment assets		
Oil shipping	45,939,454	44,418,031
LNG shipping	16,062,054	13,973,544
Others	1,051,675	997,362
	<u>63,053,183</u>	<u>59,388,937</u>
Total segment liabilities		
Oil shipping	23,281,814	21,135,306
LNG shipping	8,657,181	8,324,540
Others	4,622	6,808
	<u>31,943,617</u>	<u>29,466,654</u>

As at 30 June 2022, the net carrying amounts of the Group's oil tankers and LNG vessels were RMB33,948,699,000 (31 December 2021: RMB33,120,413,000) and RMB8,059,775,000 (31 December 2021: RMB7,829,086,000) respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

6. REVENUES AND SEGMENT INFORMATION (continued)

Geographical segments

	Six months ended 30 June			
	2022		2021	
	Revenues RMB'000	Contribution RMB'000	Revenues RMB'000	Contribution RMB'000
By geographical area:				
Domestic	2,940,649	723,773	2,761,808	902,683
International	4,534,333	(99,924)	3,316,443	17,591
	<u>7,474,982</u>	<u>623,849</u>	<u>6,078,251</u>	<u>920,274</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

6. REVENUES AND SEGMENT INFORMATION (continued)

Other information

	Oil shipping RMB'000	LNG shipping RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2022				
Additions to non-current assets	891,588	1,026,361	23	1,917,972
Depreciation and amortisation	1,189,665	147,508	2,112	1,339,285
Gain on disposal of property, plant and equipment, net	6,418	–	–	6,418
Interest income	16,468	12,971	–	29,439
Six months ended 30 June 2021				
Additions to non-current assets	1,366,034	364,368	–	1,730,402
Depreciation and amortisation	1,241,409	144,413	18,816	1,404,638
Gain on disposal of property, plant and equipment, net	595	–	–	595
Interest income	18,150	14,207	2	32,359

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditure has been prepared for the six months ended 30 June 2022 and 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

7. OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other income		
Government subsidies (Note)	130,484	309,383
Interest income from loan receivables	21,277	19,443
Bank interest income	8,162	12,912
Rental income from investment properties	90	90
Others	(2,394)	129
	<u>157,619</u>	<u>341,957</u>
Other gains/(losses)		
Exchange gains/(losses), net	75,517	(7,182)
Gains on disposal of property, plant and equipment, net	6,418	595
Others	-	1,208
	<u>81,935</u>	<u>(5,379)</u>
	<u>239,554</u>	<u>336,578</u>

Note: The government subsidies mainly represent the subsidies granted for business development purpose and refund of tax. There were no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

8. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses on:		
– bank loans and other borrowings	267,038	247,276
– corporate bonds	64,131	64,073
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	55,179	61,543
– lease liabilities	33,377	42,045
– exchange loss, net	45,240	10,130
	<u>464,965</u>	<u>425,067</u>
Less: interest capitalised	<u>(2,220)</u>	<u>–</u>
	<u><u>462,745</u></u>	<u><u>425,067</u></u>

During the period, the capitalisation rate applied to funds borrowed and utilised for the vessels under construction was at a rate of 2.41% to 3.00% (six months ended 30 June 2021: Nil) per annum.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

9. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost of shipping services rendered:		
Bunker oil inventories consumed and port fees	2,817,083	1,842,977
Others (including vessel depreciation and crew expenses, which amount is also included in respective total amounts disclosed separately below)	4,034,050	3,315,000
	<u>6,851,133</u>	<u>5,157,977</u>
Staff costs (including emoluments of directors, supervisors and management):		
Wages, salaries, crew expenses and related expenses	1,646,849	1,196,391
Costs for defined benefit plan	3,312	4,023
Pension scheme contributions	32,346	32,926
Total staff costs	<u>1,682,507</u>	<u>1,233,340</u>
Depreciation of property, plant and equipment	1,241,818	1,234,486
Depreciation and amortisation of right-of-use assets	97,467	170,152
Dry-docking and repairs	205,760	176,879
Provision for impairment losses on trade receivables and contract assets	4,192	5,655
Provision for impairment losses on other receivables	-	95

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

10. INCOME TAX EXPENSE

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Current income tax			
PRC	(i)		
– provision for the period		59,606	96,108
– adjustments for current tax of prior periods		99	(5,869)
Other districts	(ii)		
– provision for the period		617	163
		60,322	90,402
Deferred tax		31,604	40,933
Total income tax expense		91,926	131,335

Note:

- (i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (six months ended 30 June 2021: 25%) except for those entities with tax concession.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

11. EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	<u>177,600</u>	<u>581,974</u>
Weighted average number of ordinary shares in issue	<u>4,764,039,303</u>	<u>4,762,691,885</u>
Basic earnings per share (RMB cents/share)	<u><u>3.73</u></u>	<u><u>12.22</u></u>

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

(b) Diluted

	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	<u>177,600</u>	<u>581,974</u>
Weighted average number of ordinary shares in issue	<u>4,764,039,303</u>	<u>4,762,691,885</u>
Adjustments for share options	<u>2,172,128</u>	<u>1,367,644</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>4,766,211,431</u></u>	<u><u>4,764,059,529</u></u>
Diluted earnings per share (RMB cents/share)	<u><u>3.73</u></u>	<u><u>12.22</u></u>

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

12. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Final dividend for 2021 – RMB nil (30 June 2021: Final dividend for 2020 – RMB0.2) per share	–	952,538

No dividend in respect of the year ended 31 Dec 2021 was approved by shareholders at the annual general meeting held on 29 June 2022 and no payment during the Reporting Period.

The Board did not recommend the payment of an interim dividend for the period (six months ended 30 June 2021: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Opening net book value as at 1 January	43,286,633	48,497,144
Currency translation differences	1,267,898	(629,835)
Additions	1,917,972	2,598,227
Disposals	(99,207)	(59,124)
Depreciation/amortisation	(1,242,271)	(2,551,810)
Impairment loss	–	(4,567,969)
Closing net book value as at 30 June/31 December	<u>45,131,025</u>	<u>43,286,633</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

14. 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:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Right-of-use assets		
Vessels	839,637	877,587
Prepaid land lease payments*	31,677	32,325
Properties	4,486	5,901
	<u>875,800</u>	<u>915,813</u>
Lease liabilities		
Current	350,024	325,796
Non-current	1,222,914	1,329,584
	<u>1,572,938</u>	<u>1,655,380</u>

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

14. 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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Vessels	95,358	167,961
Properties	1,460	1,405
Prepaid land lease payments	649	786
	<u>97,467</u>	<u>170,152</u>
Interest expense (included in finance cost)	33,377	42,045
Expense relating to short-term leases	<u>8,055</u>	<u>8,296</u>

The total cash outflow for leases during the period was RMB204,088,000 (for the six months ended 30 June 2021: RMB266,618,000).

15. INVESTMENTS IN ASSOCIATES

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Share of net assets	1,872,077	1,911,174
Goodwill	835,105	835,105
	<u>2,707,182</u>	<u>2,746,279</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

15. INVESTMENTS IN ASSOCIATES (continued)

As at 30 June 2022, 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
			2022	2021	2022	2021	
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")	Singapore/Limited liability company	USD1,650,001	11%	11%	10%	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 condensed consolidated interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

15. INVESTMENTS IN ASSOCIATES (continued)

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

	Shanghai Beihai	
	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current assets	2,253,195	2,298,590
Current assets	676,419	490,285
Non-current liabilities	(210,840)	(203,350)
Current liabilities	(584,698)	(247,975)
Net assets	<u>2,134,076</u>	<u>2,337,550</u>
Proportion of the Group's ownership interest	40%	40%
Group's share of net assets	853,630	935,020
Goodwill	835,105	835,105
Carrying amount of the Group's interest in the associate	<u>1,688,735</u>	<u>1,770,125</u>

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenues	951,520	766,858
Profit for the period	275,142	257,364
Other comprehensive income/(loss)	15,805	(218)
Total comprehensive income for the period	290,947	257,146
Dividends received from the associate	<u>200,000</u>	<u>240,000</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

15. INVESTMENTS IN ASSOCIATES (continued)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the condensed consolidated financial statements	<u>1,018,446</u>	<u>976,154</u>

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Aggregate amounts of the Group's share of:		
Profit for the period	65,016	29,106
Other comprehensive loss	<u>(22,723)</u>	<u>(11,688)</u>
Total comprehensive income for the period	<u>42,293</u>	<u>17,418</u>

16. INVESTMENTS IN JOINT VENTURES

	30 June 2022 RMB'000	31 December 2021 RMB'000
Share of net assets	4,410,837	3,649,019
Goodwill	<u>477,105</u>	<u>477,105</u>
	<u>4,887,942</u>	<u>4,126,124</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

16. INVESTMENTS IN JOINT VENTURES (continued)

As at 30 June 2022, 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
			2022	2021	
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 (“ Red LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Orange LNG Shipping Limited (“ Orange LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Yellow LNG Shipping Limited (“ Yellow LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Indigo LNG Shipping Limited (“ Indigo LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Gold LNG Shipping Limited (“ Gold LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Silver LNG Shipping Limited (“ Silver LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding
Arctic Bronze LNG Shipping Limited (“ Bronze LNG ”)	Hong Kong/Limited liability company	USD1,000	50%	50%	Vessel holding

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

16. INVESTMENTS IN JOINT VENTURES (continued)

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

	CLNG	
	30 June 2022	31 December 2021
Non-current assets	8,371,163	7,584,472
Current assets	696,558	790,393
Cash and cash equivalents	684,543	680,535
Other current assets	12,015	109,858
Non-current liabilities	(2,356,560)	(2,405,551)
Current liabilities	(692,362)	(526,827)
Net assets	6,018,799	5,442,487
Non-controlling interests	(950,008)	(941,364)
	5,068,791	4,501,123
Proportion of the Group's ownership interest	50%	50%
Group's share of net assets	2,534,395	2,250,561
Goodwill	477,105	477,105
Carrying amount of the Group's interest in the joint venture	3,011,500	2,727,666
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenues	500,489	486,328
Profit for the period	551,831	516,989
Other comprehensive income	462,137	214,058
Total comprehensive income for the period	1,013,968	731,047
Dividends received from the joint venture	183,816	188,296

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

16. INVESTMENTS IN JOINT VENTURES (continued)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the condensed consolidated financial statements	<u>1,876,442</u>	<u>1,398,458</u>
	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Aggregate amounts of the Group's share of:		
Profit for the period	127,115	132,469
Other comprehensive income/(loss)	<u>29,752</u>	<u>(31,946)</u>
Total comprehensive income for the period	<u>156,867</u>	<u>100,523</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

17. LOAN RECEIVABLES

	Note	30 June 2022 RMB'000	31 December 2021 RMB'000
Loans to associates	(i)	354,313	345,757
Loans to joint ventures	(ii)	927,429	879,773
		<u>1,281,742</u>	<u>1,225,530</u>
Less: current portion		<u>(23,392)</u>	<u>(27,912)</u>
Non-current portion		<u>1,258,350</u>	<u>1,197,618</u>

Note:

- (i) As at 30 June 2022, loans to associates are unsecured, interest-bearing at approximately 3.81% to 6.48% over 3-month London Inter-bank Offered Rate (“LIBOR”) (31 December 2021: approximately 5.83% to 6.63% over 3-month London) per annum and repayable in 2030 and 2031.
- (ii) As at 30 June 2022 and 31 December 2021, loans to joint ventures are unsecured, interest-bearing at 3-month LIBOR plus 0.80% per annum, 3-month LIBOR plus 1.30% per annum and Euro Interbank Offered Rate plus 0.50% per annum and repayable within 20 years after the joint ventures’ vessels construction projects.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Listed equity investments in the PRC	437,922	506,240
Unlisted equity investments	—	—
	<u>437,922</u>	<u>506,240</u>

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
(Loss)/gain recognised in other comprehensive income	<u>(51,238)</u>	<u>75,312</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

19. DEFERRED TAX ASSETS AND LIABILITIES

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

	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	42,776	–	42,776
Charge to profit or loss	(2,389)	–	(2,389)
At 31 December 2021 and 1 January 2022	40,387	–	40,387
(Charge)/credit to profit or loss	(1,194)	30	(1,164)
At 30 June 2022	39,193	30	39,223

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

	Revaluation of investment properties	Fair value change on FVOCI	Accelerated tax depreciation	Unremitted earnings	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	1,137	107,936	223,153	118,152	4,639	455,017
Charge/(credit) to profit or loss	58	–	(55,991)	73,453	(373)	17,147
Charge to other comprehensive income	–	10,980	–	–	–	10,980
Exchange realignment	–	–	–	–	(5)	(5)
At 31 December 2021 and 1 January 2022	1,195	118,916	167,162	191,605	4,261	483,139
Charge/(credit) to profit or loss	28	–	(3,060)	(3,388)	(81)	(6,501)
Credit to other comprehensive income	–	(17,079)	–	–	–	(17,079)
Exchange realignment	–	–	–	–	5	5
At 30 June 2022	1,223	101,837	164,102	188,217	4,185	459,564

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Deferred tax assets	39,223	40,387
Deferred tax liabilities	(459,564)	(483,139)
	<u>(420,341)</u>	<u>(442,752)</u>

As at 30 June 2022, deferred tax assets in respect of tax losses of RMB2,029,406,000, which will expire within five years (31 December 2021: RMB1,222,931,000) has not been recognised as deferred tax assets in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised.

As at 30 June 2022, the unrecognised deferred income tax liabilities were RMB611,127,580 (31 December 2021: RMB564,400,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Board considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2022 amounted to RMB2,444,510,321 (31 December 2021: RMB2,257,602,000).

20. INVENTORIES

	30 June 2022 RMB'000	31 December 2021 RMB'000
Bunker oil inventories	870,998	758,943
Ship stores and spare parts	255,541	254,260
	<u>1,126,539</u>	<u>1,013,203</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

21. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade and bills receivables from third parties	1,023,769	369,222
Trade receivables from related companies (Note)	187,024	7,718
Trade receivables from fellow subsidiaries	10,657	998
Trade receivables from a joint venture	–	34
	<u>1,221,450</u>	<u>377,972</u>
Less: allowance for doubtful debts	<u>(12,272)</u>	<u>(8,490)</u>
	<u>1,209,178</u>	<u>369,482</u>
Current contract assets relating to oil shipping contracts	791,657	750,802
Less: allowance	<u>(2,240)</u>	<u>(1,641)</u>
Total contract assets	<u>789,417</u>	<u>749,161</u>

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

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

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	1,041,562	285,553
4 – 6 months	75,221	41,029
7 – 9 months	44,895	18,713
10 – 12 months	23,918	10,454
1 – 2 years	23,096	12,120
Over 2 years	486	1,613
	<u>1,209,178</u>	<u>369,482</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000	31 December 2021 RMB'000
Deposits and other receivables	271,675	381,528
Due from fellow subsidiaries	260,689	294,370
Due from associates	204,228	–
Prepayments	109,361	61,042
Due from joint ventures	55,296	750
Due from related companies (Note)	9,731	57,458
	910,980	795,148
Less: impairment of other receivables	(10,266)	(9,882)
	900,714	785,266

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

23. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Note	30 June 2022 RMB'000	31 December 2021 RMB'000
Pledged bank deposits		768	767
Balances placed with CS Finance	(i)	1,834,873	1,946,333
Unpledged bank balances and cash		1,745,598	1,577,556
Cash and cash equivalents		3,580,471	3,523,889
Total bank deposits and cash and cash equivalents		3,581,239	3,524,656

Note:

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

24. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2022, the Group had interest rate swap agreements with total notional principal amount of approximately USD744,995,000 (equivalent to approximately RMB4,999,959,000) (31 December 2021: approximately USD507,350,000 (equivalent to approximately RMB3,234,711,000)) which will be matured in 2031, 2032, 2033, 2034 and 2035 (31 December 2021: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the period, the floating interest rates of the bank borrowings were 3-month LIBOR plus 2.20% and 3-month LIBOR plus 1.40% (six months ended 30 June 2021: 3-month LIBOR plus 2.20%) per annum.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2022 and 31 December 2021, details of the interest-bearing bank and other borrowings are as follows:

		30 June 2022 RMB'000	31 December 2021 RMB'000
Current liabilities			
(i) Bank borrowings			
Secured	2022 to 2023	1,526,932	1,446,027
Unsecured	2022 to 2023	<u>5,363,472</u>	<u>6,168,409</u>
		<u>6,890,404</u>	<u>7,614,436</u>
(ii) Other borrowings			
Unsecured	2022 to 2023	<u>151,882</u>	<u>33,000</u>
Interest-bearing bank and other borrowings			
– current portion		<u><u>7,042,286</u></u>	<u><u>7,647,436</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

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

As at 30 June 2022 and 31 December 2021, details of the interest-bearing bank and other borrowings are as follows: (continued)

	Maturity	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current liabilities			
(i) Bank borrowings			
Secured	2023 to 2035	12,453,449	11,959,656
Unsecured	2023 to 2025	<u>2,348,990</u>	<u>637,571</u>
		<u>14,802,439</u>	<u>12,597,227</u>
(ii) Other borrowings			
Unsecured	2023 to 2032	<u>895,223</u>	<u>69,850</u>
Interest-bearing bank and other borrowings			
– non-current portion		<u><u>15,697,662</u></u>	<u><u>12,667,077</u></u>

As at 30 June 2022, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2021: 45) vessels and 3 (31 December 2021: nil) vessels under construction with total net carrying amount of RMB20,096,675,000 (31 December 2021: RMB20,561,254,000) and RMB1,213,810,000 (31 December 2021: RMB nil) respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

26. OTHER LOANS

	Note	30 June 2022 RMB'000	31 December 2021 RMB'000
Kantons International Investment Limited ("Kantons International")	(i)	643,462	624,226
Mitsui O.S.K. Lines, Ltd. ("MOL")	(ii)	326,679	316,934
Petrochina International Co., Limited ("Petrochina International")	(iii)	13,958	13,563
		<u>984,099</u>	<u>954,723</u>
Less: current portion		<u>(46,226)</u>	<u>(43,386)</u>
Non-current portion		<u>937,873</u>	<u>911,337</u>

Note:

- (i) As at 30 June 2022, other loans amounted to RMB36,624,000 (31 December 2021: RMB34,814,000) was borrowed by East China LNG Shipping Investment Co., Limited ("ELNG"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the associates held by ELNG. As at 30 June 2022, the loan is unsecured, interest-bearing at approximately 5.52% to 6.48% over 3-month LIBOR (31 December 2021: approximately 6.67% to 6.76% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 30 June 2022, other loans amounted to RMB606,838,000 (31 December 2021: RMB589,412,000) was borrowed by China Energy Shipping Investment Co., Limited ("China Energy"), an indirect and non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. As at 30 June 2022, 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 2021: 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

26. OTHER LOANS (continued)

- (ii) As at 30 June 2022, other loans was borrowed by the subsidiaries of China Energy from their non- controlling shareholder, MOL, to finance certain vessels construction projects being carried out by them. As at 30 June 2022, 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 2021: 3-month LIBOR plus 2.20% and fixed rate of 4.80%) per annum and repayable within 15 years after the aforementioned vessels construction projects are completed.
- (iii) As at 30 June 2022, other loans was borrowed by North China LNG Shipping Investment Co., Limited (“NLNG”), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Petrochina International, to finance certain vessels construction projects being carried out by the associates held by NLNG. As at 30 June 2022, the loan is unsecured, interest-bearing at approximately 3.81% to 5.51% over 3-month LIBOR (31 December 2021: approximately 6.02% to 6.06% over 3-month LIBOR) per annum and repayable within 20 years after the aforementioned vessels construction projects are completed.

27. BONDS PAYABLE

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the period	2,538,514	2,495,824
Interest charge	64,131	42,690
	2,602,645	2,538,514
Less: current portion	(2,602,645)	(2,538,514)
Non-current portion	-	-

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

27. 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	At 31	Interest charge RMB'000	At 30 June 2022 RMB'000
			of bond at initial recognition RMB'000	December 2021 RMB'000		
3 August 2012	10 years	1,500,000	1,487,100	1,530,496	37,978	1,568,474
29 October 2012	10 years	1,000,000	992,400	1,008,018	26,153	1,034,171
		<u>2,500,000</u>	<u>2,479,500</u>	<u>2,538,514</u>	<u>64,131</u>	<u>2,602,645</u>

The Company issued a ten-year corporate bonds with a principal value of RMB1.5 billion on 3 August 2012, 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 a ten-year corporate bonds with a principal value of RMB1 billion 29 October 2012, carrying an annual fixed interest rate of 5.18% and matures on 29 October 2022. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

28. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade and bills payables to third parties	1,342,608	960,141
Trade payables to fellow subsidiaries	904,125	787,821
Trade payables to related companies (Note)	21,455	26,323
Trade payables to an associate	6,794	6,259
	<u>2,274,982</u>	<u>1,780,544</u>

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.

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	1,790,294	1,547,398
4 – 6 months	196,284	58,657
7 – 9 months	160,547	37,475
10 – 12 months	29,854	9,833
1 – 2 years	87,017	112,179
Over 2 years	10,986	15,002
	<u>2,274,982</u>	<u>1,780,544</u>

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

29. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000	31 December 2021 RMB'000
Accruals	477,813	468,886
Other payables	264,292	210,953
Due to fellow subsidiaries	63,827	214,771
Due to ultimate holding company	4,420	4,420
Due to joint ventures	3,824	3,483
Due to other related companies (Note)	2,731	–
Due to associates	12	1,658
	816,919	904,171

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, fellow subsidiaries, joint ventures, associates and other related companies are unsecured, non-interest-bearing and repayable on demand.

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

30. SHARE CAPITAL

	30 June 2022		31 December 2021	
	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	3,474,776	3,474,776	3,466,692	3,466,692
Total	4,770,776	4,770,776	4,762,692	4,762,692

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

31. CONTINGENT LIABILITIES AND GUARANTEE

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

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB55,033,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

31. CONTINGENT LIABILITIES AND GUARANTEE (continued)

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

As at 31 December 2019, the Company’s guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 30 June 2022, the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB42,953,000).

- c. Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “**Banks**”), to the extent of amount of USD377,500,000 (equivalent to approximately RMB2,533,554,000), 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. As at 30 June 2022, the balance of guarantees was USD314,107,000 (equivalent to approximately RMB2,108,099,000).
- d. COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited (the “**Four Single-vessel Companies**”). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner’s guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB30,201,000). The guarantee period is limited to the lease period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

32. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial period of one to twenty (31 December 2021: one to twenty) years.

As at 30 June 2022, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within one year	1,558,246	1,478,443
In the second to fifth years, inclusive	5,283,669	4,931,511
Over five years	12,496,649	12,474,725
	<u>19,338,564</u>	<u>18,884,679</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

33. CAPITAL COMMITMENTS

	Note	30 June 2022 RMB'000	31 December 2021 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	8,293,277	6,924,783
Equity investments	(ii)	1,473,458	—
		<u>9,766,735</u>	<u>6,924,783</u>

Note:

- (i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2022 to 2026.
- (ii) Included in capital commitments in respect of equity investments are commitments to invest in an associate of the Group.

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 RMB413,430,888 (31 December 2021: RMB387,974,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,048,222,971 (31 December 2021: RMB2,223,740,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by China Shipping and COSCO Shipping, the immediate parent company and the parent company, both of which are government-related enterprise established in the PRC. The PRC government indirectly controls COSCO Shipping and its subsidiaries. In accordance with HKAS (Revised), “Related Party Disclosure”, issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significant influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO Shipping and its subsidiaries (other than the Group), other government related entities and their subsidiaries, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group’s significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and cash equivalents.

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

In addition to the related party information and transactions disclosed elsewhere in the Interim Financial Information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Transactions with fellow subsidiaries and the related entities of COSCO Shipping		
Revenues		
Shipping services and ship charter services	64,740	27,529
Rental income, including surcharge	224	90
	<u>64,964</u>	<u>27,619</u>
Expenses		
Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc.	2,525,980	1,519,865
Electrical, telecommunication, ship repair and technical improvements services etc.	339,033	209,609
Ship and related business insurance and insurance brokerage services	73,210	30,176
Ship and shipping agency services	29,488	46,100
Management services of sea crew	1,043,509	810,835
Rental expenses	1,952	2,199
Miscellaneous services	7,460	8,896
	<u>5,028,632</u>	<u>3,437,680</u>
Others		
Construction of vessels	175,601	373,076
	<u>175,601</u>	<u>373,076</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Transactions with joint ventures of the Group		
Revenues		
Interest income from joint ventures	<u>8,534</u>	<u>5,597</u>
Transactions with associates of the Group		
Revenues		
Interest income from associates	17,100	20,813
Vessel chartering income	<u>54,098</u>	<u>55,047</u>
Key management compensation		
Salaries, bonuses and other allowances	6,009	5,319
Share options	130	350
Contribution to retirement benefit scheme	<u>-</u>	<u>264</u>

Note: These transactions were conducted either based on terms as governed by the master agreements and subsisting agreements entered into the Group and COSCO Shipping Group or based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 30 June 2022 and 31 December 2021, majority of the Group's bank balances and bank borrowings are with state-owned banks.