中遠海運能源運輸股份有限公司

COSCO SHIPPING Energy Transportation Co., Ltd.

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

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

2022
ANNUAL REPORT

CONTENT

COMPANY PROFILE

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

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

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

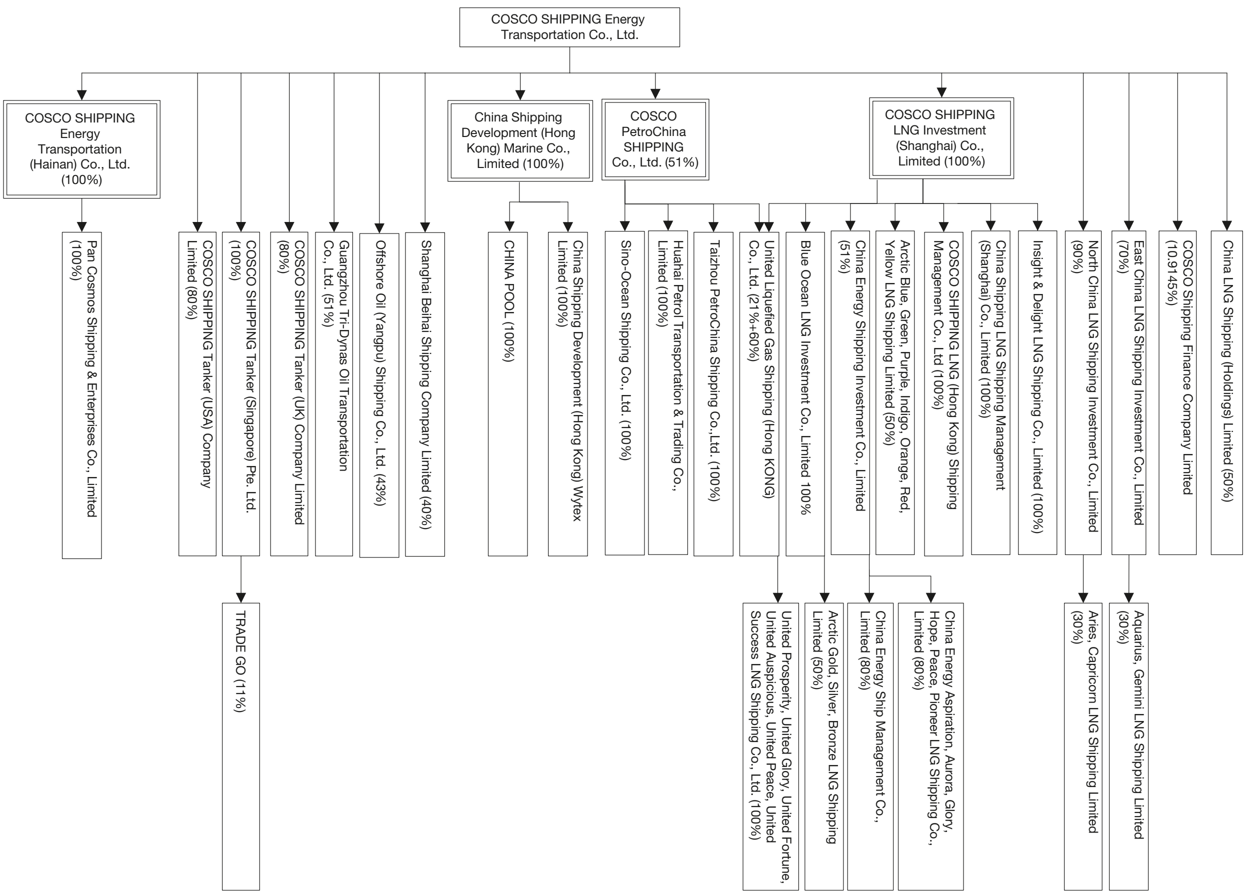
The Company is also a leader in China’s LNG transportation business, and is currently an important player in the global market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, and China LNG Shipping (Holdings) Limited (CLNG), of which the Company holds 50%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

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

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

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

As at 31 December 2022, the composition of the Group was as follows:



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**18,566,795**	12,644,700	16,268,197	13,721,140	12,099,685
Profit before tax	**2,752,847**	(4,527,308)	2,904,034	1,001,988	413,063
Profit for the year	**1,788,592**	(4,667,108)	2,631,444	671,604	293,406
Profit for the year attributable to owners of the Company	**1,461,118**	(4,985,386)	2,381,415	413,857	74,679
	RMB	RMB	RMB	RMB	RMB
Earnings per share (Basic)	**0.3065**	(1.0468)	0.5200	0.1026	0.0185
Dividend per share	**0.15**	–	0.20	0.04	0.02

	At 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**68,250,082**	59,388,937	65,959,857	65,841,861	63,416,267
Total liabilities and non-controlling interests	**(36,679,599)**	(30,797,891)	(31,338,029)	(37,717,126)	(35,224,647)
Equity attributable to owners of the Company	**31,570,483**	28,591,046	34,621,828	28,124,735	28,191,620
	RMB	RMB	RMB	RMB	RMB
Net assets value per share	**6.617**	6.003	7.269	6.975	6.992

1. THE MAIN BUSINESSES, OPERATING MODEL OF THE COMPANY AND CONDITIONS OF THE INDUSTRY DURING THE YEAR ENDED 31 DECEMBER 2022 (THE "REPORTING PERIOD")

(1) Industry and characteristics

The Group is mainly engaged in the shipping of crude oil, product oil and LNG. As fossil energy, oil and natural gas play a pivotal role in the global energy structure and consumption sector, being an important strategic raw materials that support the development of national economy and society. Due to the imbalance between the distribution and consumption regions of global energy resources such as oil and natural gas, petroleum and natural gas trade and transportation play an essential role in 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, economical freight costs and the ability to cross continents and oceans, despite high safety requirements, professional operating management and long investment return period for the oil tanker transportation industry. Currently, about 80% of the world's oil is transported by oil tankers.

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 freight and investment return.

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

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

In terms of fleet size, the Group is the world's largest oil tanker owner, covering all mainstream tanker types, and stands out globally with its complete type of vessels. As of 31 December 2022, the Group owned and controlled 159 oil tankers with a total capacity of 23.34 million Dead Weight Tonnage ("**DWT**").

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd.("**CSLNG**"), a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Company holds 50% equity, are the leading large-scale LNG transportation companies in China. As of 31 December 2022, the Group had made investment in 62 LNG vessels, all of which are Project Vessels with stable income. Among them, 40 LNG vessels with a capacity of 6.77 million cubic meters have been put into operation; 22 LNG vessels with a capacity of 3.73 million cubic meters were to be delivered. In recent years, as the LNG carriers, for which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

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

China COSCO SHIPPING Corporation Limited, the controlling shareholder of the Group, has formed a relatively complete industrial structure system in the upstream and downstream industrial chains of shipping, ports, logistics, shipping finance, ship repair and building, and digital innovation. Relying on the solid resource background and brand advantages of COSCO SHIPPING Group, the Group is enabled to implement large-scale refined procurement of bunker fuel, sign preferential port usage agreements, enrich customer and route resources, and actively explore coordinated development with outstanding companies under the controlling shareholder, so as to provide better integrated energy transportation solutions and value-added services for all parties, and continues to move towards the goal of "resource integrator" and "solution provider".

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

In the overall business structure of the Group, except the stably increasing profitability from LNG transportation business, as a leading player in the coastal crude oil and product oil transportation industry in the PRC, the Group's position in the coastal (domestic trade) product oil transportation market also provides a "safety cushion" for the Group's operating results. Meanwhile, the international (foreign trade) oil transportation business provides cyclical elasticity in the Group's operating results.

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

(1) International oil shipping market

In 2022, the international tanker transportation market experienced a spring chill in the beginning of the year, and made an astonishing leap from depression to prosperity amid the complicated evolution of the international political and economic situation and oil trade pattern, revealing the robustness and resilience of the tanker transportation industry in the face of a complex external environment.

In terms of transportation demand, the overall seaborne crude oil rose in 2022, and geopolitical events drove a gradual change in oil trade flows, with a spike in demand for small and medium-sized vessels in the Atlantic region; very large crude carrier ("**VLCC**") tonne-mile demand surged in the fourth quarter as American strategic oil reserves were released, with crude tanker tonne-mile demand rising 3.8% year-on-year in 2022[1]. As for product oil tankers, the shift in oil trade flows also contributed to the increase in transport distance, and trade behavior driven by oil arbitrage also drove demand growth of tonne-mile demand, with tonne-mile demand for product oil tankers rising 7.1% year-on-year in 2022[2].

In terms of oil tanker capacity supply, new tanker deliveries remained stable, scrapping volume was less than expected, new shipbuilding orders hit a record low, and oil tanker capacity growth remained at a low level. According to Clarkson's data, in 2022, the global VLCC fleet was added by 39 vessels, which includes 42 delivered and three scrapping, with only 2 shipbuilding contracts signed.

1 source: Dewry

2 source: Dewry

In terms of the crude oil tanker market, the VLCC market in 2022 showed a walk low trend with steep fluctuations. In the first half of the year, influenced by the shortage of cargo sources from the Far East and high fuel costs, the theoretical daily revenue of the VLCC Middle East to China (TD3C) route measured by the Baltic Exchange was in the positive territory for only 11 days, even hitting a record low of USD -24,517 per day. In the second half, the U.S. released its strategic petroleum reserves on an extensive scale, and the increase in long transoceanic routes significantly improved the supply-demand fundamentals of VLCC, resulting in a firm market atmosphere, restored confidence among shipowners and a rapid rise in freight rates. Although the freight rate fluctuated sharply in the fourth quarter, it remained at a high level overall. Measured by Baltic Exchange, the VLCC TD3C route reached USD61,364 per day in the fourth quarter.

Influenced by geopolitical events, the oil trade routes underwent structural changes and the average shipping distance was lengthened so that the chartering demand for small and medium-sized tankers such as Suezmax and Aframax continued to be active, and the freight rates rose significantly and remained high. The TCE of Black Sea to Mediterranean routes reached as much as approximately USD200,000 per day. The average TCE of the typical crude oil routes of the Baltic Exchange West Africa to Europe (TD20) and Kuwait to Singapore (TD8) for the whole year came in at USD29,021 per day and USD25,841 per day, up 741% and 1,715% respectively compared with 2021.

In terms of the product oil tanker market, the evolving trade landscape generated fresh demand for shipping, and the arbitrage space brought by the premium of refined oil in Europe also boosted seaborne trade by stages. The freight rate of product oil tankers performed strongly throughout the year, with the Baltic Clean Tanker Index (BCTI) rising about approximately 216% in 2022.

(2) Domestic oil shipping market

Domestic crude oil shipping market:

In terms of transshipment oil, in 2022, the crude oil transportation market in domestic trade rebounded after an initial decline. International oil prices soared from March onward, continuing to raise the raw material costs for refineries; meanwhile, product sales were inactive due to depressed socio-economic activity. Against the background of mounting pressure on refining profit margins, refineries held weakened production willingness and gradually reduced in processing load, resulting in downward pressure on domestic transshipment demand. In the second half of the year, with the stabilization of international oil prices and recovery of the economic activities, the operating rate of refineries and the demand for transshipment gradually recovered.

In terms of offshore oil, driven by high oil prices, the domestic marine terminals released their production capacity in 2022 and maintained a “high production and fast sales” rhythm throughout the year, resulting in a year-on-year increase in demand for offshore oil transportation.

In terms of pipeline oil, pipeline oil transportation volume remained stable overall in 2022.

Domestic product oil shipping market:

Under the combined effects of stronger consumption tax regulation on refined oil products and economy downturn etc., domestic refined oil consumption was not robust in 2022 and the transportation market was under pressure.

(3) LNG shipping market

In 2022, the global LNG trade volume was about 401 million tons, an increase of about 7.8% from 2021. Japan's LNG import volume reached 73.5 million tons, making it the world's largest LNG importer in 2022. In 2022, Oman and the United States saw the largest increase in LNG supply in the world, with LNG export volume increasing by 19.2% and 18.2% respectively year-on-year.

In 2022, about 46 LNG supply and purchase agreements (**"SPAs"**) were signed worldwide, most of them by U.S. developers, and almost all of them were long-term contracts (15-20 years). About 155 million tons/year of production facilities worldwide are currently under construction. Meanwhile, 255 million tons/year of planned capacity is in various pre-FID (final investment decision) stages, and global LNG supply projects are developing rapidly, indicating well for trade prospects.

As of the end of 2022, the global LNG fleet totaled 739 vessels, including LNG bunkering tankers, floating storage regasification units ("**FSRUs**"), floating storage units ("**FSUs**") and floating liquefied natural gas ("**FLNG**") units with approximately 110.21 million cubic meters, representing an increase of 32 vessels and approximately 4.38 million cubic meters compared to the same period last year.

3. REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD

As of 31 December 2022, the Group held and controlled 159 oil tankers with 23.34 million DWT, representing a year-on-year decrease of 7 vessels with 1.89 million DWT. 40 LNG vessels with 6.77 million cubic meters have been put into operation among the jointly- invested LNG vessels.

In 2022, the Group realized a transportation volume (excluding time charters) of 174.36 million tonnes with a year-on-year increase of 4.2%; transportation turnover (excluding time charters) of 536.79 billion tonne-miles with a year-on-year increase of 5.7%; revenues from principal operations of RMB18.57 billion with a year-on-year increase of 46.8%; cost of principal operations of RMB15.16 billion with a year-on-year increase of 28.8%, and gross profit margin increased by 11.5 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB1.46 billion with a year-on- year increase of 129.3%, and earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of RMB6.63 billion with a year-on-year increase of 862.6%.

In 2022, adhering to the general principle of "seeking improvement while maintaining stability" and focusing on the implementation of the 14th Five-Year Plan, the Group increased the revenue of the tanker fleet following the rhythm of the market, while seizing strategic opportunities to promote the efficient implementation of LNG projects. Confronted with the ever-changing oil and gas transportation market, the Group achieved solid and steady business performance and continued to consolidate the quality of the enterprise through the following five measures:

The first is by virtue of accurate market research and judgment and systematic capacity planning, we significantly improved the revenue of the tanker transportation fleet in foreign trade; the second is to succeed in accelerating the implementation of LNG projects taking advantage of the golden period of global LNG transportation development; the third is COSCO SHIPPING LNG (Hong Kong) Ship Management Co., Ltd. ("**Hong Kong LNG Ship Management Company**") formally operated and successfully connected two LNG tankers, making a breakthrough in LNG business chain capacity; the fourth is to take advantage of the higher prices of second-hand tankers and actively promoted the disposal of old tanker capacity; and the fifth is to optimize the organizational structure and resource allocation of the enterprise, and realized the positive transformation of the management mode, with the aim of supporting the high-quality development of the enterprise.

(1) Revenue from principal operations

In 2022, overall details of the Group's principal operations in terms of cargoes and geographical regions were as follows:

Principal operations by products transported

Industry or Cargo	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2021	Increase/ (decrease) in operating costs as compared with 2021	Increase/ (decrease) in gross profit margin as compared with 2021
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic crude oil	3,183,151	2,343,820	26.4	6.9	15.2	(5.3)
Domestic refined oil	2,601,345	2,156,983	17.1	0.6	3.1	(2.1)
Domestic vessel chartering	108,442	99,631	8.1	2.9	17.2	(11.2)
Domestic Oil Shipping Sub-Total	5,892,937	4,600,434	21.9	3.9	9.2	(3.8)
International crude oil	7,816,270	7,219,954	7.6	95.2	46.3	30.9
International refined oil	2,144,285	1,558,227	27.3	113.3	31	45.7
International vessel chartering	1,394,492	1,116,567	19.9	89.9	30.4	36.5
International Oil Shipping Sub-Total	11,355,046	9,894,748	12.9	97.7	41.7	34.4
Oil Shipping Sub-Total	17,247,983	14,495,182	16.0	51.1	29.5	14.0
International LNG Shipping	1,318,812	662,814	49.7	7.1	14.4	(3.2)
Total	18,566,795	15,157,996	18.4	46.8	28.8	11.5

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

Principal Operations by Geographical Regions

Regions	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenue as compared with 2021	Increase/ (decrease) in operating costs as compared with 2021	Increase/ (decrease) in gross profit margin as compared with 2021
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	5,892,937	4,600,434	21.9	3.9	9.2	(3.8)
International shipping	12,673,858	10,557,562	16.7	81.7	39.6	25.1
Total	18,566,795	15,157,996	18.4	46.8	28.8	11.5

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

(2) Shipping business – Oil and Gas Shipping

International oil shipment business:

In 2022, the Group achieved revenue from international oil shipping of RMB11.36 billion, representing a year-on-year increase of 97.7%; gross profit for the segment of RMB1.46 billion, representing a year-on-year increase of 218.0%, and gross profit margin of 12.9%, representing a year-on-year increase of 34.4 percentage points.

Operational highlights of the international tanker fleet are as follows:

(1) Focused on the overall fleet benefits and properly coped with the drastic fluctuations in the tanker transportation market. In the first half of 2022, the VLCC market was in an extremely depressed phase, with TCE of standard routes hovering in the negative territory for a long time. The Group made every effort to improve the revenue level of the fleet by adjusting the route layout, carefully managing speed and fuel consumption, and arranging dry docking in advance. From August onward, VLCC freight rates rebounded and remained high. Benefitting from accurate market research and predictions made in the initial stage and the reasonable transportation capacity structure, the Group's shipping layout rebounded in a centralized manner before the market peak, which reserved sufficient capacity to seize the booming market. After the market entered the high boom stage, the Group promptly adapted its business strategy to speed up the ship operation turnover. From September through November, the average number of VLCCs in the Middle East shipment period reached more than 22 per month, which laid an important foundation for the substantial improvement of fleet benefits.

(2) Optimized the global operation layout and achieved outstanding benefits from the triangular route. In 2022, the Group stepped up the development of the "China-Singapore – Middle East – Far East – China" triangular routes for product oil tankers in foreign trade. Meanwhile, in the development of product oil tanker routes, the Group routinized the Australia route and covered East Africa, South Africa and Europe etc., thus enriching the route structure and customer groups.

(3) Secured the supply chain to ensure steady progress in key projects. In 2022, at the initial stage of operation of the three 300,000-ton crude oil terminals in Jieyang, Lianyungang and Qinzhou, the Group, based on the essential needs of customers, fully integrated into the production, supply and marketing chain of customers with its professional marketing and ship management capabilities on projects such as deepening port drafts and opening ports, and provided transport capacity and technical support to help customers optimize logistics operations, eliminate work safety hazards, assisted in the smooth implementation of relevant projects, effectively enhanced the breadth and depth of cooperation with customers, and consolidated the basic cargo sources of the fleet.

Domestic oil shipping business:

In 2022, the Group recorded domestic oil shipping revenue of RMB5.89 billion with a year-on-year increase of 3.9%, gross profit of RMB1.29 billion with a year-on-year decrease of 11.4%, and gross profit margin of 21.9% with a year-on-year decrease of 3.8 percentage points.

Operational highlights are as follows:

(1) Maintained the gradual growth of core businesses, while actively developing new customers and acquiring new cargo sources.

(2) Continuously consolidated the leading position in the domestic trade market, forming capacity synergies with domestic counterparts, and carrying out business cooperation through various modes to jointly reduce tankers' no-load ratio and strengthen the capacity guarantee in the market.

(3) Actively negotiate to adjust the freight rates to enhance the profitability of short routes against the backdrop of rising operating costs.

LNG shipping business:

In 2022, the Group realized a net profit attributable to parent company from the LNG shipping segment of RMB667 million with a year-on-year increase of 0.5%. Operational highlights are as follows:

(1) Seized the golden age of LNG development and vigorously developing LNG transportation projects. During the Reporting Period, CSLNG, a wholly-owned subsidiary of the Group, completed the equity acquisition of two LNG carriers of Sinochem; CLNG, a joint venture company, completed the investment in two projects: one LNG carrier of Shenzhen Gas and 12 LNG tankers of Qatar Energy. As of the end of the Reporting Period, the Group had invested in 62 LNG carriers, representing an increase of 15 vessels year-on-year.

(2) Hong Kong LNG Ship Management Company operated smoothly, and its comprehensive competitiveness in LNG was significantly improved. During the Reporting Period, Hong Kong LNG Ship Management Company, a wholly-owned subsidiary of the Group, successfully acquired two LNG carriers of 174,000 cubic meters for the PetroChina International LNG Project. The enhancement of independent ship management capability significantly strengthened the Group's overall competitiveness in participating in the global LNG transportation business.

4. COSTS AND EXPENSES ANALYSIS

In 2022, the Group's cost from principal operations was approximately RMB15.16 billion, representing a year-on-year decrease of 9.4% and representing a year-on-year increase of 28.8% when excluding the impact of vessel impairment loss.

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

	2022	2021	**Increase/ (decrease)**	**Composition of 2022**
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*
Oil shipping operating costs				
Items				
Fuel costs	**5,573,264**	3,217,781	73.2	38.4
Port costs	**953,958**	792,380	20.4	6.6
Sea crew costs	**2,522,550**	2,009,482	25.5	17.4
Lubricants expenses	**317,236**	272,022	16.6	2.2
Depreciation	**2,432,783**	2,479,353	(1.9)	16.8
Insurance expenses	**170,379**	161,324	5.6	1.2
Repair expenses	**379,227**	303,747	24.8	2.6
Charter costs	**1,605,450**	1,577,100	1.8	11.1
Others	**540,334**	379,922	42.2	3.7
Sub-total	**14,495,182**	11,193,113	29.5	100.0
LNG shipping operating costs				
Items				
Sea crew costs	**167,568**	96,812	73.1	25.3
Lubricants expenses	**7,910**	7,446	6.2	1.2
Depreciation	**311,709**	288,553	8.0	47.0
Insurance expenses	**17,891**	15,794	13.3	2.7
Repair expenses	**118,113**	129,040	(8.5)	17.8
Others	**39,623**	41,962	(5.6)	6.0
Sub-total	**662,814**	579,606	14.4	100.0
Sub-total	**15,157,996**	11,772,719	28.8	100.0
Vessel impairment loss	**–**	4,961,450	N.A.	N.A.
Total	**15,157,996**	16,734,169	(9.4)	100.0

5. OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES

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

Company name	**Interest held by the Group**	**Shipping volume**	**Operating revenue**	**Net profit**
		(billion tonne-miles)	*(RMB'000)*	*(RMB'000)*
CLNG	50%	73.64	1,072,741	934,821

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

Company name	**Interest held by the Group**	**Shipping volume**	**Operating revenue**	**Net profit**
		(billion tonne-miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	18.35	1,966,091	548,087

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 RMB4,129,839,000, representing an increase of approximately 24% as compared to approximately RMB3,335,953,000 for the year ended 31 December 2021.

(2) Capital Commitments

	Note	**31 December 2022** *RMB'000*	31 December 2021 *RMB'000*
Authorised and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,972,156**	6,924,783
Equity investments	*(ii)*	**311,479**	–
		7,283,635	6,924,783

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2023 to 2026.

(ii) Included in capital commitments in respect of equity investments are commitments to invest in a joint venture 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 RMB395,440,000 (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 RMB2,226,710,000 (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, bonds payable and lease liabilities less cash and bank.

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Total debts	**30,215,794**	25,463,130
Less: cash and bank	**(4,239,339)**	(3,523,889)
Net debt	**25,976,455**	21,939,241
Total equity	**33,570,390**	29,922,283
Net debt-to-equity ratio	**77%**	73%

As at 31 December 2022, the balance of cash and bank amounted to RMB4,239,339,000, representing an increase of RMB715,450,000 and by 20% as compared to the end of last year. The Group's cash and bank are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2022, the Group's net gearing ratio (i.e. net debts over total equity) was 77%, which was 4% higher than that as at 31 December 2021. The increase was primarily due to the drawdown of the long-term bank borrowings during the Reporting Period.

(4) Trade and Bills Receivables and Contract Assets

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Trade and bills receivables from third parties	**543,923**	369,222
Trade receivables from a joint venture	**–**	34
Trade receivables from fellow subsidiaries	**5,068**	998
Trade receivables from related companies *(Note)*	**2,173**	7,718
	551,164	377,972
Less: allowance for doubtful debts	**(6,123)**	(8,490)
	545,041	369,482
Current contract assets relating to oil shipment contracts	**1,636,674**	750,802
Less: allowance	**(4,500)**	(1,641)
Total contract assets	**1,632,174**	749,161

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

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

As at 31 December 2022, trade and bills receivables and contract assets of RMB947,977,000 (31 December 2021: RMB207,988,000) are denominated in USD.

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 3 months	**397,569**	285,553
4 – 6 months	**51,230**	41,029
7 – 9 months	**54,306**	18,713
10 – 12 months	**34,031**	10,454
1 – 2 years	**7,897**	12,120
Over 2 years	**8**	1,613
	545,041	369,482

(5) Trade and Bills Payables

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade and bills payables to third parties	**891,755**	960,141
Trade payables to fellow subsidiaries	**1,016,493**	787,821
Trade payables to an associate	**8,825**	6,259
Trade payables to related companies *(Note)*	**22,248**	26,323
	1,939,321	1,780,544

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

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

As at 31 December 2022, trade and bills payables of RMB843,056,000 (31 December 2021: RMB879,196,000) are denominated in USD.

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 3 months	**1,555,796**	1,547,398
4 – 6 months	**62,160**	58,657
7 – 9 months	**67,007**	37,475
10 – 12 months	**89,181**	9,833
1 – 2 years	**147,707**	112,179
Over 2 years	**17,470**	15,002
	1,939,321	1,780,544

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

(6) Derivative Financial Instruments

As at 31 December 2022, the Group had interest rate swap agreements with total notional principal amount of approximately USD734,232,000 (equivalent to RMB5,113,632,000) (31 December 2021: approximately USD507,350,000 (equivalent to 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.

For the year ended 31 December 2022, 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% (31 December 2021: 3-month LIBOR plus 2.20%).

The Group has the following derivative financial instruments:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Non-current assets		
Interest rate swaps – cash flow hedges	**116,525**	–
Total non-current derivative financial instrument assets	**116,525**	–
Non-current liabilities		
Interest rate swaps – cash flow hedges	**–**	556,105
Total non-current derivative financial instrument liabilities	**–**	556,105

(7) Interest-Bearing Bank and Other Borrowings

	Maturity	31 December 2022 RMB'000	31 December 2021 RMB'000
Current liabilities			
(i) Bank borrowings			
Secured	2023	**1,455,208**	1,446,027
Unsecured	2023	**4,457,924**	6,168,409
		5,913,132	7,614,436
(ii) Other borrowings			
Unsecured	2023	**1,105,110**	33,000
Interest- bearing bank and other borrowings – current portion		**7,018,242**	7,647,436
Non-current liabilities			
(i) Bank borrowings			
Secured	2024 to 2035	**14,116,081**	11,959,656
Unsecured	2024 to 2025	**4,771,273**	637,571
		18,887,354	12,597,227
(ii) Other borrowings			
Unsecured	2025 to 2032	**1,859,374**	69,850
Interest-bearing bank and other borrowings – non-current portion		**20,746,728**	12,667,077

As at 31 December 2022, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2021: 45) vessels and 1 (31 December 2021: Nil) vessel under construction with total net carrying amount of RMB23,845,935,000 (31 December 2021: RMB20,561,254,000) and RMB425,436,000 (31 December 2021: Nil) respectively.

As at 31 December 2022, secured bank borrowings of RMB15,090,234,000 (31 December 2021: RMB13,130,514,000) and unsecured bank borrowings of RMB7,381,780,000 (31 December 2021: RMB6,464,953,000) are denominated in USD.

(8) Bonds Payable

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
At the beginning of the year	**2,538,514**	2,495,824
Interest charge	**88,286**	129,253
Less: principal repayment	**(2,500,000)**	–
Interest repayment	**(126,800)**	(86,563)
	–	2,538,514
Less: current portion	**–**	(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. In July 2011, 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**"), whereby 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 RMB57,110,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

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

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 31 December 2022, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB44,573,000).

(iii) Subsequent to the approval by shareholder at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of contract amount of USD377,500,000 (equivalent to RMB2,629,137,000), 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. As at 31 December 2022, the actual guarantee amount provided by the Company is USD309,043,000, equivalent to approximately RMB2,152,363,000 (31 December 2021: USD324,045,000, equivalent to approximately RMB2,066,013,000).The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single-vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB33,403,000). The guarantee period is limited to the lease period.

(10) Foreign exchange risk management

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

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2022, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the year would have been RMB6,953,000 higher/lower (31 December 2021: RMB38,187,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and bank, receivables, payables and borrowings.

(11) Interest rate risk management

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

As at 31 December 2022, if interest rates had been 100 basis points higher/lower with all other variables held constant excluding variables with interest rate swap agreements, the Group's post-tax profit for the year would have been RMB130,978,000 lower/higher (31 December 2021: RMB99,926,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

7. OTHERS

(1) Fleet Expansion Projects

In 2022, the cash outflow from investment activities of the Group, including the payments for construction and purchase of new vessels, vessel reconstruction, capital increases and loans for associates and joint ventures of the Group, was approximately RMB6.256 billion, of which approximately RMB4.435 billion was paid for the vessel construction progress and purchase of new vessels.

In terms of fleet expansion, 2 new oil tankers with a total capacity of 369,000 DWT and 2 new LNG carriers with a total capacity of 348,000 cubic meters were delivered for use in 2022. In the meanwhile, 3 oil tankers with a total capacity of 478,000 DWT were disposed in 2022.

As at December 31, 2022, the specific composition of the Group's fleet was as follows:

	Vessels in operation			**Vessels under construction**	
Oil tanker fleet	*Number*	*'0000 DWT*	*Average age*	*Number*	*'0000 DWT*
Holding subsidiaries of the Group	153	2,175	11.2	2	1.4
Long-term charter-in	6	159	9.7	–	–
Joint ventures and associates	14	83	10.6	3	30.5
Total	**173**	**2,417**	**11.1**	**5**	**31.9**

	Vessels in operation			Vessels under construction	
LNG Carrier fleet	*Number*	*'0000 cubic meters*	*Average age*	*Number*	*'0000 cubic meters*
Holding subsidiaries of the Group	8	139	4.1	6	104
Joint ventures and associates	32	537	6.1	16	269
Total	**40**	**677**	**5.7**	**22**	**373**

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

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

(3) Significant Investments

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

8. OUTLOOK AND HIGHLIGHTS FOR 2023

(1) Landscape and trends in the industry

International oil shipping market

The supply and demand structure of the global oil shipping market will improve further in 2023. Although geopolitical events and global economic trends will bring uncertainty to the market, the strong demand recovery and extremely low fleet capacity growth rate still justify a positive market outlook.

In terms of transportation demand, the shift in oil trade flows will continue to support growth in tanker tonne-mile demand. As for the oil supply, it is predicted by the International Energy Agency ("**IEA**") that the global oil production will increase by 1.2 million barrels per day in 2023, with non-Organization of the Petroleum Exporting Countries ("**non-OPEC**") countries being the main source of the additional demand; global oil demand will reach 101.9 million barrels per day in 2023, representing an increase of 1.4 million barrels per day compared to the average level in 2019. The incremental oil demand will be two million barrels per day, nearly half of which will come from China, meaning that China will become the "engine" of demand growth. Meanwhile, the rebound in air transportation will also drive the recovering demand for jet fuel, which is expected to recover to 90% of 2019 in 2023.

In terms of tonnage supply, although the significantly aging global tanker fleet and the entry into force of IMO environmental protection policy provided strong justification of the "metabolism" of tankers worldwide, the high prices of new shipbuilding, the tight capacity of shipyards and the uncertainty of fuel technology adoption dampened the shipowners interests in investing heavily in new tankers. The existence of the "shadow fleet" also provides a market environment for old capacity to continue operating, which will inhibit the clearance of old tankers in the short term. In 2023, tanker capacity supply is expected to see slow growth. Clarkson predicted that crude oil tanker and product oil tanker capacity to grow 2% and 0.5% in 2023, down 3.2% and 2.1% respectively from 2022.

In terms of crude oil tanker market, in 2023, although OPEC's output cut plan will limit trade growth to some extent, the recovery of economic activity in China is expected to accelerate the domestic refinery starts, which is expected to lead to a strong increase in VLCC transportation demand. Meanwhile, the release of 26 million barrels of strategic reserves by the United States will boost trade sentiment and market confidence in the Atlantic market. Small and medium-sized tankers are expected to continue to benefit from the shift in oil trade flows – in particular, the tonne-mile demand of the Aframax vessels remains strong. It is predicted by Clarkson that the trade of crude oil tonne-mile in 2023 will increase by 6.6% year-on-year.

In terms of product oil tankers, demand for product oil will maintained good momentum for recovery as international travel picks up. Geopolitical events will drive a major shift in global product oil trade routes. Meanwhile, the structural adjustment of global refinery capacity, especially the production of refineries in the Middle East, will likely promote the growth of interregional trade. Overall, the demand for product oil tanker capacity is expected to be strong. Clarkson projected that the trade of product oil tonne-mile will increase by 11.8% year-on-year in 2023.

Overall, the fundamentals of tanker transportation market in 2023 are encouraging. More importantly, shipowners remain cautious about orders for new tankers. New IMO environmental regulations have officially come into force. The positive factors shown on the supply side of capacity mean that the current upward cycle will be sustainable.

Domestic oil shipping market

Domestic crude oil transportation market:

In terms of offshore oil, domestic offshore oil fields will step up exploration and development, and production will increase year by year. Against such a backdrop, the total volume of offshore oil transportation is expected to continue to grow, boosting transport demand.

In terms of pipeline oil, the demand for water transportation is expected to be relatively stable in 2023.

In terms of transshipment, refinery operating rates are expected to improve significantly year-on-year as China's economic activity recovers, boosting transshipment demand. Although raw material purchases by domestic local refineries may be affected by the fluctuations in international oil prices, the transportation demand will fluctuate accordingly over time, the overall transportation demand is expected to be stable and positive.

Domestic product oil transportation market:

In the short term, the recovery of China's economic activity is expected to boost domestic refined oil consumption, boosting transport demand. In the medium to long term, the continued development of clean energy (e.g., electric energy, hydrogen energy, etc.) products may put domestic demand for product oil consumption under pressure. With the increasingly balanced distribution of refineries in the context of the "large refining and chemical" era, the gap between the north and south resources of product oil is expected to narrow gradually, and the traditional "transportation of oil from the north to the south" allocation pattern will be replaced by balanced production, supply and sales in the region, making the transportation of product oil a short-haul trend. The new refining and chemical integration projects mostly adopted the principle of "minimum oil, aromatic, polyenoid", and the output rate of product oil will be controlled at a low level, which will put demand for overall transportation under pressure.

LNG shipping market

In 2023, the demand for LNG transportation is expected to continue to grow. The strong demand for LNG in Europe and the tight supply of LNG have resulted in a more positive prospects for the development of global LNG projects.

In terms of transportation demand, Drewry predicts that the compound annual growth rate of LNG trade is projected to reach 6.8% from 2022 through 2027, and the global LNG trade volume is expected to reach 419 million tons in 2023 and 559 million tons in 2027.

In terms of transportation capacity supply, as of 31 December 2022, the global LNG fleet reached 739 vessels, totalling approximately 110 million cubic meters, while there are 323 LNG vessels on order, of which 57 are scheduled for delivery in 2023, and 266 will be delivered in 2024-2028.

(2) Development strategies of the Company

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

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

(3) Operational plans

In 2023, the Group expects to have 2 LNG vessels delivered, totalling 254 thousands cubic meters (including joint ventures, associates and long-term chartered-in vessels). It is expected that there will be 159 oil tankers in operation during the year, totalling 23.34 million DWT, and 42 LNG vessels, totalling 7.024 million cubic meters (including joint ventures and associates in vessels).

According to the conditions of the domestic and international shipping market in 2023, combined with the Group's fleet expansion, the main operating targets of the Group in 2023 are as follows: generating an expected operating income of RMB19.0 billion and incurring operating costs of RMB15.2 billion.

(4) Work initiatives of the Company in 2023

In 2023, in the face of uncertainties in overseas market, the Group will adhere to the general principle of "seeking improvement while maintaining stability", the main line of "reform and innovation", the working goal of "improving quality and efficiency", focus on the implementation of the *14th Five-Year Plan*, build an upgraded "four global leading" campaign, make every effort to maintain the sound operation of the industrial supply chains, accelerate the establishment of a world-class energy transport enterprise, and build a new development pattern with high-quality services. Specifically, we will carry forward the following high-priority tasks:

Firstly, the Group will fully upgrade the strategic development plan. In 2023, the Group will continue to optimize the *14th Five-Year Plan* in light of the development trend of the global energy industry, further define the development direction of new business and industry chains, and formulate special plans for green and low-carbon development. Benchmarked against the world's leading enterprises, the Group will achieve innovation-driven development by promoting the digital transformation and green and low-carbon operation.

Benchmark world-class enterprises: The Group will build on the Company's ability to adapt to the world-class standards by establishing the "world-class benchmarking indicator system". The Company will identify key projects based on the strategic planning, conduct regular analysis and evaluation, and incorporate them into the annual assessment indicator system to ensure progress in high-priority fields.

Accelerate digital transformation: The Group will develop intelligent applications covering intelligent operation, intelligent decision-making, intelligent ship management and customer service on the basis of promoting the optimization of existing business systems and the construction of support systems, and strive to make breakthroughs in the construction of the digital supply chain, intelligent ship management platform, and world-class enterprise benchmarking analysis data platform, enabling the improvement of enterprise operation level.

Cultivate sustainable development capability: The Group will increase partnerships with upstream and downstream industries in the industry chain, actively carry out relevant research and project demonstration in methanol, hydrogen energy and other fields, jointly explore a green and low-carbon development path for shipping, and promote the safe application and effective supply of clean energy. The Group will also continue to explore the implications and value of ESG, take ESG as an important dimension to measure the sustainable development performance and long-term investment value of the Company, reinforce the ESG management responsibility, continuously construct and perfect the management structure and institutional system of ESG, and enhance ESG performance and competitiveness.

Additionally, the Group will promote the strategy of developing enterprise through talent management, optimize the development of the education and training system, provide training on "internationalization", "digitalization" and "specialization", and cultivate technical talents and crew under the trend of digital and green industries, and introduce high-end talents to support global layout.

Secondly, the Group will pursue safety-based marketing and its extended services. We will strengthen risk control and hazard investigation and management, tighten up the navigation safety risk control in key areas, key ships and key time periods. We will manage the entire life cycle of ships from construction, maintenance to decommissioning to ensure the reliability of ship equipment systems and hull structure. Additionally, we will focus on strengthening the security and stability of the energy supply chain, further improving customer service quality, increasing customer stickiness, and empowering international operations.

In addition, the Group will pay greater attention to the improvement of the development quality of the tanker fleet, ramp up the marketing efforts of CHINA POOL, rely on the Group's safety-based marketing capabilities and the advantages of China COSCO Shipping Group's industrial chain resources such as shipping finance, ship insurance and agency, to absorb external capacity into POOL and scale up fleet management operations of the Group. Additionally, the Group will pay full attention to fluctuations in ship asset prices and the dynamics of the chartering market and the shipbuilding market, continuously optimize the structure of the tanker fleet to improve the overall competitiveness of the fleet.

Thirdly, the Group will systematically study and assess market segments, and take multiple measures to improve operational and benefits-creating capabilities in various business segments.

In terms of the international oil shipping business, the Group will step up market research and assessment against evolving geopolitics and other uncertainties, strengthen capacity allocation in the Atlantic market and high-quality Australia and Africa routes, and continuously optimize global capacity distribution; pay close attention to fluctuations in domestic and foreign trade markets, fully evaluate capacity linkage schemes in the domestic and foreign trade, and improve the overall fleet revenue; continuously improve the global marketing network, taking advantage of our superior business model and fleet size, deeply explore customer needs, and provide global logistics solutions.

In terms of the domestic oil shipping business, the Group will actively and continuously provide customers with crude oil and product oil, as well as multi-faceted logistics solutions involving various vessel types; vigorously promote the signing of COA contracts with customers, consolidate basic cargo sources and stabilize the Group's market position; actively explore the scope for cooperation with potential customers, strive for improvement in route efficiency, further develop the route pricing system and enhance ship efficiency.

In terms of the LNG shipping business, the Group will pay close attention to the transportation needs of large energy providers, actively track progress in final upstream investment decision-making, and continue to explore international LNG transportation projects; track investment opportunities in the upstream and downstream segments of LNG transportation, actively participate in the LNG refueling business, and seek to achieve breakthroughs in the development of the LNG industry chain; start to build an LNG operation platform, continue to consolidate LNG ship management capacity, and continuously enhance the global competitiveness of the LNG transportation business.

Fourthly, the Group will continue to focus on the control of operational and compliance risks. The Group will continue to tighten up four core risk control mechanisms – risk early warning and investigation, operational due diligence, key business monitoring and specific risk assessment – in accordance with relevant corporate risk control policies. The Group will strengthen its compliance system building and fully incorporate compliance requirements and internal control measures into its business processes and management activities.

CORPORATE GOVERNANCE REPORT

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

I. IMPROVEMENT OF CORPORATE GOVERNANCE

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

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

II. CORPORATE CULTURE

The Company believes that a healthy corporate culture is the core of good governance and an important component of the soul and sustainability of an enterprise.

Our corporate vision is *to be an outstanding leader in global energy transportation*, and to build a world leading energy transportation enterprise with excellent products, outstanding brand, leading innovation and modern governance.

Linking the world and energy by shipping is the essence and meaning of energy transportation, and it is also our mission. Upholding the corporate values of "Integrity, Safety, Efficiency, and Transparency", during the Reporting Period, by providing safe, reliable and high-quality energy transportation and logistics services, the Company and the Board committed to guaranteeing the safety of energy transportation, serving value growth for the clients, practicing corporate social responsibility and supporting development and growth of employees, and delivering constant flow of energy for the world, the country, the society, clients and employees, so as to ensure a more stable, efficient and resilient energy supply chain, thereby continue to strengthen the Company's cultural framework.

III. SITUATION OF INTERNAL CONTROL AND RISK MANAGEMENT

1. DEVELOPMENT

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

In 2022, in accordance with the special work plan of State-owned Assets Supervision and Administration Commission and COSCO Shipping Group on Strengthening Compliance Management Year, the Company started the construction of big compliance system, taking the Company's Compliance Management System (《合規管理辦法》) as the general outline, the comprehensive management system as the main body, and the special compliance guidelines as the focus, actively promoted the integration of internal control and risk management, system construction, compliance management and legal management. The Company organized and carried out "all-level, all-field and all-dimensional" compliance risk identification and screening within the system, identified 232 compliance risk points, formulated 663 prevention and control measures, and put forward 23 suggestions for management improvement. On this basis, the Company established and improved the Company's "compliance risk database" and "laws and regulations database", and identified 127 key positions in compliance management. The Company compiled Compliance Responsibility List for each post in the form of positive and negative lists, and implemented compliance requirements to employees, The Company also guided each affiliated enterprise to build their own compliance management system according to the practice of the headquarters simultaneously, and promoted the compliance system construction to cover each unit of the Group.

2. MANAGEMENT STRUCTURE

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

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

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

The Risk Control Committee was established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities include reviewing the Company's financial control, internal control and risk management systems; discussing with the management on the internal control system to ensure the management has performed its duties in establishing an effective internal control system; evaluating the appropriateness of the design of the listed company's internal control systems; reviewing the self-evaluation report on internal control. In 2022, three meetings were held by the Risk Control Committee to listen to the special reports on the construction of the internal control and risk management system, as well as operation monitoring, and to provide guidance on internal control and risk management efforts.

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

3. WORK RESULTS OF 2022

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

In 2022, in accordance with the special work plan of State-owned Assets Supervision and Administration Commission and Cosco Shipping Group on Strengthening Compliance Management Year, the Company started the construction of big compliance system, taking the Company's Compliance Management System (《合規管理辦法》) as the general outline, the comprehensive management system as the main body, and the special compliance guidelines as the focus, actively promoted the integration of internal control and risk management, system construction, compliance management and legal management. The Company organized and carried out "all-level, all-field and all-dimensional" compliance risk identification and screening within the system, identified 232 compliance risk points, formulated 663 prevention and control measures, and put forward 23 suggestions for management improvement. On this basis, the Company established and improved the Company's "compliance risk database" and "laws and regulations database", and identified 127 key positions in compliance management. The Company compiled Compliance Responsibility List for each post in the form of positive and negative lists, and implemented compliance requirements to employees, The Company also guided each affiliated enterprise to build their own compliance management system according to the practice of the headquarters simultaneously, and promoted the compliance system construction to cover each unit of the Group.

Firstly, the Company established "two banks and one list" to build a solid foundation for compliance management. Taking the Year of Strengthening Compliance Management as the grasp, the Company started the construction of big compliance system, taking the Company's Compliance Management System (《合規管理辦法》) as the general outline, the comprehensive management system as the main body, and the special compliance guidelines as the focus, actively promoted the integration of internal control and risk management, system construction and compliance management. The Company organized and carried out "all-level, all-field and all-dimensional" compliance risk identification and screening within the system. On this basis, the Company established and improved the Company's "compliance risk database" and "laws and regulations database", and identified key positions in compliance management. The Company also guided each affiliated enterprise to build their own compliance management system according to the practice of the headquarters simultaneously, and promoted the compliance system construction to cover each unit of the Group. Secondly, the Group has improved its communication mechanism and fostered a compliance culture. The Group launched multi-level compliance training in the three major areas of compliance governance, compliance operation and compliance management, published the "Ship Delivery Compliance Rules" to shipyards, organized the Company's 2022 Ship Loss Prevention Exchange Seminar, and planned and launched the "Six-One" series of activities for the Rule of Law Publicity Month to continuously promote the awareness of compliance risks and enhance business capabilities of all staff.

(2) Refine and improve internal control and management requirements, and continue to improve the Company's system

Firstly, on the basis of system integration, the Company promoted the integration of systems and consistently improved management efficiency of the Company. In accordance with the latest requirements of the SASAC and COSCO Shipping Group on internal control and risk management, the Company's Internal Control and Risk Management Regulations were further revised to refine the standards for risk assessment and identification of internal control deficiencies, and to clearly establish the mechanism of the first responsible person for the supervision of the internal control system. Secondly, the Company organized the work on the "establishment, amendment, abolition and interpretation" of rules and regulations. The Company conducted a rolling assessment and improvement review of the establishment of systems in foreign-related areas, compliance areas, risk areas, management of state-owned assets and key operational areas, and formulated and organized the implementation of annual system establishment plans in accordance with the principle of filling shortcomings and strengthening weaknesses, so as to continuously improve the system of rules and regulations. Thirdly, we promoted the promotion of the rules and regulations. The Company focused on organizing and implementing a plan to publicize the rules and regulations of the Company, and made use of the Zhixue Yun training platform and WeChat questions and answers to innovate the means of publicizing the rules and regulations, which achieved good results.

(3) Carry out in-depth annual internal control evaluation and supervision work to enhance management standards

First, the evaluation of internal control supervision was fully completed. The Company commenced the internal control supervision and evaluation work for each of its enterprises one by one, realizing the work requirement of "three-year full coverage" of the first round of supervision and evaluation by the end of 2022 and the work objective of promoting construction through evaluation. Secondly, the self-evaluation of internal control was carried out in an orderly manner. The Company organized all units of the Group to carry out comprehensive self-evaluation and implemented the requirements of supervisory evaluation, identified internal control deficiencies and monitored the review of internal control evaluation, so as to realize the evaluation of all the internal controls and effectively prevent various operation and management risks. Thirdly, the Company organized special internal control evaluation. In 2022, the Company focused on the problems and risks of the Company's contract and procurement business, identified management gaps and explored solutions, and organized the completion of two special internal control evaluations and rules and regulations reviews on contract management and procurement business management to standardize and improve the Company's management.

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

Firstly, the Company further optimized and strictly enforced the four major risk control mechanisms. The Company closely followed the rhythm of changes in the international political and legal environment, kept abreast of the latest overseas legal developments, tracked 602 movements throughout the year, issued 39 risk alert letters and conducted 39 special risk checks to ensure the smooth operation of the tanker's foreign trade business and further enhanced the risk prevention capability of the fleet. Secondly, the front end was guarded. The Company continued to implement the " The working mechanism of moving forward the legal service threshold " and its legal staff were deeply involved in major projects and decisions of the Company, and no new litigation or arbitration cases occurred in 2022. Thirdly, the back end of the process was implemented. The Company focused on the management issues reflected behind the cases and conducted in-depth analysis of typical legal dispute cases in the past, forming a closed-loop case management mechanism of "resolving one case, plugging one loophole, improving one system and preventing a number of risks".

IV. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

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

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

In accordance with the 2022 Annual Operating Performance Responsibility Statement (《2022年度經營業績責任書》), the Company conducted an evaluation of the 2022 operating performance of the senior management staff of the managerial level to comprehensively assess the performance of the senior management staff of the managerial level and their work performance in 2022. In accordance with the relevant provisions of the Regulations on the Management of Tenure System and Contractual Remuneration for Members of the Management Team of COSCO Shipping & Energy Transportation Company Limited (Trial) (中遠海運能源運輸股份有限公司經理層成員任期制和契約化薪酬管理辦法(試行)), the results of the management performance appraisal were closely linked to the remuneration packages of the senior management staff of the management team, so as to reasonably widen the income disparity and realise the concept of "rising remuneration for rising performance and falling remuneration for falling performance", stimulate the vitality of the senior management staff of the management team and promote the achievement of the Company's business objectives and key tasks. This would stimulate the vitality of senior managers and facilitate the achievement of the Company's business objectives and key tasks.

In 2018, the Company launched the A share option incentive scheme (the "**Incentive Scheme**"). Pursuant to the authorization granted by Shareholders, the Board approved the grant of 35,460,000 Share options to 133 participants (including senior management) on 27 December 2018. In 2022, the Company kept adjusting the Incentive Scheme according to the actual situation. In addition, the Company started to design the 2nd incentive scheme with a scientific range of participants, therefore, to continuously improve the effectiveness of such scheme in the long run.

The Company evaluates the remuneration of employees according to operating revenue, profitability and safety management situation, continuously optimizing the salary distribution system which combines occupational salary and performance wage. The segments of remuneration include occupational salary, monthly performance wage, various allowances and overtime pay. Among them, occupational salary reflects the duties and monthly performance wage reflects the labor contribution. In 2022, approved by the Board of Directors, the Company completed amendments to and issued the Administrative Measures for the Total Remuneration of the Company (《中遠海運能源運輸股份有限公司工資總額管理辦法》). The Company views annual comprehensive assessment and evaluation results and economic performance as key factors for remuneration distribution, thus forms a positive correlation between remuneration and operating performance. Pursuant to the Administrative Measures for Employee Performance Assessment of the Company (《中遠海運能源運輸股份有限公司員工績效考核管理辦法》), the Company implements quarterly performance assessment, annual performance assessment with full coverage of all employees. The bonus is related to the performance assessment, which creates reasonable personal wage gap among employees and departments. The annual assessment highlights personal performance and influences the remuneration distribution and reputation rewards. It combines multi- dimensional assessment and carries out the term assessment. The assessment results further categorized and classified as basically competent, competent and excellent, so as to give full play to the incentivising and binding effect of the distribution system.

VI. CORPORATE GOVERNANCE REPORT

1. Compliance with Corporate Governance Code

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

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

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. To ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2022, the Company held 3 general meetings. The table on page 46 of this annual report shows the attendance of the Directors at the general meetings. At the annual general meeting for 2021, 15 resolutions were passed, including the 2021 annual report, the 2021 audited financial statements, the proposed distribution of the 2021 final dividend, the report of the Board for 2021.

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

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

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

3. The Board

(1) The responsibility of the Board

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

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

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

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

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

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

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

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

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

(2) Composition of the Board

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

The Directors during the Reporting Period were:

Executive Directors:
Mr. Ren Yongqiang (任永強)
Mr. Zhu Maijin (朱邁進)

Non-executive Directors:

Mr. Zhang Qinghai (張清海)	(Resigned on 8 July 2022[1])
Mr. Liu Zhusheng (劉竹聲)	(Resigned on 8 July 2022[2])
Mr. Wang Wei (王威)	(Appointed on 12 August 2022[3])
Ms. Wang Songwen (王松文)	(Appointed on 15 December 2022[4])

Independent non-executive Directors:

Mr. Teo Siong Seng (張松聲)	(Resigned on 8 July 2022[5])
Mr. Victor Huang (黃偉德)	
Mr. Li Runsheng (李潤生)	
Mr. Zhao Jinsong (趙勁松)	
Mr. Wang Zuwen (王祖溫)	

Notes:

1. Mr. Zhang Qinghai (張清海) had tendered his resignation 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. Mr. Liu Zhusheng (劉竹聲) had tendered his resignation 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.

3. At the First Extraordinary General Meeting in 2022, the appointments of Mr. Wang Wei (王威), as a non-executive Director, was duly approved by Shareholders and took effect immediately after the conclusion of the First Extraordinary General Meeting in 2022 on 12 August.

4. At the Second Extraordinary General Meeting in 2022, the appointments of Ms. Wang Songwen (王松文), as a non-executive Director, was duly approved by Shareholders and took effect immediately after the conclusion of the Second Extraordinary General Meeting in 2022 on 15 December.

5. Mr. Teo Siong Seng (張松聲), an independent non-executive Director of the Company, has served as an independent non-executive Director of the Company since 28 December 2015, which has exceeded the six-year term limit stipulated in the "Guiding Opinions on Establishing an Independent Director System in Listed Companies" issued by the China Securities Regulatory Commission. Mr. Teo therefore tendered his resignation as an independent non-executive Director and a member of corresponding Board committees of the Company, with effect from 8 July 2022 when the resignation reached the Board.

Members of the Board, including the Chairman and the chief executive officer (the "CEO") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive Directors. The biographies of all Directors are set out on pages 239-241 of this annual report and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board adopted the board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. Ms. Wang Songwen was appointed as a non-executive director of the Company on 15 December 2022. As at the end of the Reporting Period, the Board of Directors consisted of one female director among the eight directors of the Board. The Board aims to maintain at least the current level of female representation in the Board. For more details of the diverse background, age, experience and qualifications of the Board members, please refer to the profiles of directors, supervisors and the management on page 239-244 of this annual report. The Board and the Nomination Committee consider that the composition of the Board and the background of its members are in compliance with the requirements of the Listing Rules in relation to diversity of directors and objectives of the Company's regarding board diversity (including gender diversity). The nomination committee of the Company (the "**Nomination Committee**") monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Board will also review annually the implementation and effectiveness of the Board Diversity Policy.

Measurable objectives

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Company should have a majority of non-executive directors (including independent non-executive directors) on the Board, so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board current consists of one female Director. The number of female directors on the Board will not fall below this level.

Apart from the above objectives, the composition of the Board has complied with the following objectives with the Listing Rules:

1. Rules 3.10A: at least one third of the members of the Board shall be independent non-executive Directors;

2. Rules 3.10(1): at least three of the members of the Board shall be independent non-executive Directors; and

3. Rules 3.10(2): at least one independent non-executive director shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved such measurable objectives for board diversity and complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

To maintain board diversity (including gender diversity) in the coming years, the Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

By the end of the Reporting Period, the management of the Company (excludes directors) consisted of 6 males and 2 females; the fair gender structure of the shore-based employees indicates a total of 546 (approximately 70.91%) male employees and 224 (approximately 29.09%) female employees. In light of the Company's business nature and operation needs, the Board considers that the management and employees of the Company are gender-diverse.

(3) The responsibility of Directors

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

4. Performance of Independent Non-executive Directors' Duties

The Company has adopted the rules and procedures on independent non-executive Directors' work. In 2022, the Company had four independent non-executive Directors exceeding one-third of the total number of Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of accounting, law and corporate management, respectively. Mr. Victor Huang, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Victor Huang, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this annual report. The four independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance with the Articles and the relevant requirements under the applicable laws and regulations.

In 2022, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive Directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision-making process of the Board. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive Directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

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

5. Mechanisms to Ensure Independent Views

The Company ensures independent views and input are available to the Board via the below mechanisms:

(1) The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the portion of the independent non-executive Directors.

(2) A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive Directors to be independent.

(3) In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates.

(4) The chairman of the Board shall meet with independent non-executive Directors at least once annually.

(5) All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the company policy.

The Board reviews the implementation and effectiveness of the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive directors, and their contribution and access to external independent professional advice. The Board considers that the above mechanisms and implementation are effective to ensure independent views and inputs are available to the Board.

6. Securities Transactions by Directors

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

7. Board Meetings

In the Reporting Period, the Board convened a total of 17 meetings and considered and passed 69 Board resolutions so as to review the financial and operating performance of the Group. The Chairman also held meetings with the independent non-executive Directors without the presence of other Directors. The following table shows the attendance of the Directors at the Board meetings and general meetings.

		Rate of attendance for Board meeting	Rate of attendance for general meeting
Executive Directors:			
Mr. Ren Yongqiang (任永强) (Chairman)		16/16	2/3
Mr. Zhu Maijin (朱邁進) (CEO)		16/16	3/3
Non-executive Directors:			
Mr. Zhang Qinghai (張清海)	(Resigned on 8 July 2022)	6/6	1/1
Mr. Liu Zhusheng (劉竹聲)	(Resigned on 8 July 2022)	6/6	1/1
Mr. Wang Wei (王威)	(Appointed on 12 August 2022)	8/8	2/2
Ms. Wang Songwen (王松文)	(Appointed on 15 December 2022)	2/2	1/1
Independent non-executive Directors:			
Mr. Teo Siong Seng (張松聲)	(Resigned on 8 July 2022)	7/7	1/1
Mr. Victor Huang (黃偉德)		17/17	3/3
Mr. Li Runsheng (李潤生)		17/17	3/3
Mr. Zhao Jinsong (趙勁松)		17/17	3/3
Mr. Wang Zuwen (王祖温)		17/17	3/3

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

8. Chairman and CEO

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

9. The Professional Committees of the Board

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

(1) Audit Committee

The Audit Committee comprised 3 independent non-executive Directors as at 31 December 2022 with Mr. Victor Huang being the Chairman. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least four meetings of the Audit Committee are convened annually to review the accounting policies, risk management and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2022, the Audit Committee held 8 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations. The following table shows the attendance of members of the Audit Committee during the Reporting Period:

Members of the Audit Committee	**Rate of attendance**
Mr. Victor Huang (黃偉德) (Chairman)	8/8
Mr. Teo Siong Seng (張松聲)	5/5
Mr. Zhao Jinsong (趙勁松)	3/3
Mr. Wang Zuwen (王祖温)	8/8

Due to the expiration of his term as an independent non-executive Director, Mr. Teo Siong Seng retired as a member of the Audit Committee, effective from 8 July 2022; and independent non-executive Director Mr. Zhao Jinsong was appointed as a member of the Audit Committee, effective from the date of approval by the Board.

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

The Audit Committee has considered 17 proposals including the proposal on change in accounting estimate regarding the adjustment of the estimated net salvage value of the vessels, the proposal on the provision for impairment of ship assets, the Audit Committee's 2021 performance report, 2021 annual report on operation and basic financial situation, 2021 audit report, report on the Company's 2021 internal audit work summary and 2022 work plan, the proposal on the Company's 2021 internal control system report, proposal on the Company's 2021 connected transaction report, proposal on the Company's first quarterly report in 2022, proposal on non-exercise of right of first refusal in the share transfer of COSCO SHIPPING Group Finance Co., Ltd., proposal on capital increase to COSCO SHIPPING Group Finance Co., Ltd., proposal on appointment of auditing institutions for 2022, operation and financial situation in the first half of 2022, 2022 half-year review, proposal on the Company's 2022 third quarterly report, proposal on audit plan of the Company's 2022 domestic and overseas financial report, and the proposal on the establishment of a pre-approval policy for "non-assurance services" for overseas audit institutions.

The Audit Committee holds at least two meetings with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2022, the Audit Committee held 2 meetings with the external auditors. The Audit Committee reviews the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee not only pays attention to changes in the accounting policies and practices but also complies with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

(2) Remuneration and Appraisal Committee

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

(a) to make recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management of the Company; and to make recommendations to the Board on the establishment of a formal and transparent procedure for formulating such remuneration policy; to review and approve the senior management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(b) to recommend to the Board regarding the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including those relating to loss or termination of office or appointment); and making recommendations to the Board on the remuneration of non-executive Directors. The Remuneration and Appraisal Committee should consider the factors such as remuneration paid by comparable companies, time required for the Directors and their duties, the employment conditions of other positions within the Group and the desirability of performance-based remunerations.

In 2022, the Remuneration and Appraisal Committee held 3 meetings, and all members attended the meetings. In the meetings, the Remuneration and Appraisal Committee reviewed the 2021 remuneration of the management and the practice of 2021 annual work plan, which are the basis of 2021 remuneration policy of the management. The Remuneration and Appraisal Committee gave advice on the 2022 remuneration policy of the Directors and supervisors. It also reviewed "Proposal on the adjustment of the list of incentive recipients and the number of options under the Stock Option Incentive Scheme and to cancel some stock options granted but not yet exercised", "Proposal on the achievement of exercise conditions for the second period of the Stock Option Incentive Scheme", and reviewed the measures for the management of total wage.

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

Members of the Remuneration and Appraisal Committee	**Rate of attendance**
Mr. Li Runsheng (李潤生) (Chairman)	3/3
Mr. Victor Huang (黃偉德)	2/2
Mr. Teo Siong Seng (張松聲)	1/1
Mr. Wang Zuwen (王祖溫)	3/3

Due to the expiration of his term as an independent non-executive Director, Mr. Teo Siong Seng retired as a member of the Remuneration and Appraisal Committee, effective from 8 July 2022. Independent non-executive Director Mr. Victor Huang was appointed as a member of the Remuneration and Appraisal Committee, effective from the date of approval by the Board.

(3) Strategy Committee

The duties of the Strategy Committee mainly include review and evaluation of the Company's long- term development strategy, significant investment projects, financial budget and strategic plan of investment returns and submit its advice to the Board. As at the end of the Reporting Period, The Strategy Committee consisted of 6 Directors, including 2 executive Directors, 2 non-executive Directors and 2 independent non-executive Directors. Mr. Ren Yongqiang was the Chairman. Independent non-executive Directors, namely Mr. Li Runsheng and Mr. Zhao Jinsong with extensive professional knowledge and work experience in petrochemicals and maritime law proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers.

During 2022, the Strategy Committee held two meetings, reviewing the 2021 CSR Report of the Company and 2022 Investment Plan and Disposal Plan of the Company. The following table shows the attendance of members of the Strategy Committee during the Reporting Period.

Members of the Strategy Committee	Rate of attendance
Executive Directors:	
Mr. Ren Yongqiang (任永强) (Chairman)	2/2
Mr. Zhu Maijin (朱邁進)	2/2
Non-executive Directors:	
Mr. Zhang Qinghai (張清海)	1/1
Mr. Liu Zhusheng (劉竹聲)	1/1
Mr. Wang Wei (王威)	1/1
Ms. Wang Songwen (王松文)	0/0
Independent non-executive Directors:	
Mr. Teo Siong Seng (張松聲)	1/1
Mr. Li Runsheng (李潤生)	2/2
Mr. Zhao Jinsong (趙勁松)	2/2

As Mr. Zhang Qinghai and Mr. Liu Zhusheng had reached the age of retirement, they resigned as members of the Strategy Committee, effective from 8 July 2022. As his term of office as an independent non-executive Director expired, Mr. Teo Siong Seng resigned as a member of the Strategy Committee, effective from from 8 July 2022. Non-executive Directors Mr. Wang Wei and Ms. Wang Songwen were appointed as members of the Strategy Committee, effective from the date of approval by the Board.

The Strategy Committee and the Board formulates and reviews policies and routine matters related to the Company's sustainable development and ESG governance. It also monitors ESG material topics that may affect the Company's business, operations, and shareholders and other stakeholders' interests and assumes full responsibility for ESG strategies and reporting.

In 2022, given both internal and external changes and current development of the Company, the Strategy Committee and the Board re-evaluated material topics and their ranking, prioritized 11 material topics related to governance, economy, and environment, as well as society to address stakeholder concerns.

In addition, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Strategy Committee and the Board focus on the key factors affecting climate change in the shipping industry to identify climate change-related risks and opportunities and their potential financial impact in the short, medium and long run; and ultimately, to enhance our adaptability to uncertain climatic conditions.

For more details of our ESG performance, please refer to Sustainability Report 2022 of the Company.

(4) Nomination Committee

Pursuant to the Articles, election and replacement of Directors shall be proposed to the Shareholders' general meeting for approval. Shareholders whose shareholding represents 3% or more of the voting shares of the Company are entitled to make such proposal and request the Board to authorise the Chairman to consolidate a list of Director candidates nominated by the Shareholders who are entitled to make a proposal. As authorised by the Board, the Chairman shall consolidate a list of Director candidates and order the Secretariat of the Board together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Articles, the Company is required to give notice of the Shareholders' meeting to Shareholders in writing 20 days (if it is an annual general meeting) and 15 days (if it is an extraordinary general meeting) in advance and dispatch a circular to the Shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the candidates for directorship must be set out in a circular to the Shareholders to facilitate voting by Shareholders. The new Directors must be approved by more than half of the total voting shares held by the Shareholders present in person or by proxy at the Shareholders' general meeting.

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

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

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

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

During the Reporting Period, the Nomination Committee of the Company consisted of 3 Directors, all being independent non-executive Directors.

In 2022, the Nomination Committee convened 4 meetings to consider the issues of the appointment of the senior management of the Company, the appointment of Mr. Wang Wei as a Non-executive Director of the Company, the appointment of Ms. Wang Songwen as a Non-executive Director of the Company and the appointment of Mr. Chen Jianrong as a Deputy General Manager of the Company.

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

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

(5) Risk Control Committee

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

The Risk Control Committee held 3 meetings in 2022 and considered the "Proposal on the Report on the Company's Internal Control and Risk Management in 2021", the "Proposal on the Company's Risk and Internal Control Manual Version 2.0", the "Proposal on the Company's Safety Work Report in 2022" and the revision of the Company's Compliance Management Rules Internal Control and Risk Management Rules.

Members of the Risk Control Committee	**Rate of attendance**
Mr. Zhao Jinsong (趙勁松) (Chairman)	3/3
Mr. Ren Yongqiang (任永强)	3/3
Mr. Wang Zuwen (王祖温)	3/3

10. Accountability and Audit

Financial Reporting

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

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

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

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

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

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2022. ShineWing Certified Public Accountants LLP ("ShineWing") and PricewaterhouseCoopers, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditor's reports on the consolidated financial statements for the year ended 31 December 2022.

Reappointment of Auditors

By a resolution passed at the annual general meeting of the Company held on 29 June 2022, the Company has reappointed ShineWing as its domestic auditor, and PricewaterhouseCoopers as its international auditor, in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China and the Ministry of Finance of the People's Republic of China.

External Auditors and Their Remuneration

The external auditors provide an objective assessment of the financial information presented by management, and is considered one of the essential elements to ensure effective corporate governance. The Company reappointed ShineWing as the 2022 domestic audit institution, and reappointed PricewaterhouseCoopers as the overseas audit institution. The review/audit scope was basically consistent with that of 2021. The annual general meeting for 2021 approved ShineWing's 2022 annual review/audit expenses of RMB3.1 million, and PricewaterhouseCoopers of RMB3.5 million. The total cost was RMB6.6 million (including tax and travel expenses).

In addition, the Group paid Pricewaterhouse Coopers a non-audit fee of RMB1.46 million in 2022 and paid ShineWing a non-audit fee of RMB110,000.

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

Internal Control and Risk Management

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

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

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

Internal Audit

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

Inside Information

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

11. Delegation by the Board

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

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

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

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

A summary of training received by the Directors since 1 January 2022 up to 31 December 2022 is as follows:

Directors	Continuous Professional Development Programme
Executive Directors:	
Mr. Renyongqiang (任永强) (Chairman)	A, B
Mr. Zhu Maijin (朱邁進) (Chief Executive Officer)	A, B
Non-executive Directors:	
Mr. Zhang Qinghai (張清海)	A, B
Mr. Liu Zhusheng (劉竹聲)	A, B
Mr. Wang Wei (王威)	A, B, C
Ms. Wang Songwen (王松文)	A, B, C
Independent non-executive Directors:	
Mr. Teo Siong Seng (張松聲)	A, B
Mr. Victor Huang (黃偉德)	A, B
Mr. Li Runsheng (李潤生)	A, B
Mr. Zhao Jinsong (趙勁松)	A, B
Mr. Wang Zuwen (王祖温)	A, B

Notes:

A: Literally learning the materials from the Company relating to latest regulatory information

B: video training for Directors provided by State-owned Assets Supervision and Administration Commission of the State Council, Shanghai Stock Exchange and China Association for Public Companies

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

In 2022, the Company Secretary took no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

13. Supervisory Committee

At the end of the Reporting Period, the Supervisory Committee consisted of 4 members, of whom two Supervisors were elected from the staff as representatives of the employees of the Company. The Supervisors during 2022 were:

Mr. Weng Yi (翁羿) (Chairman)
Mr. Yang Lei (楊磊)
Mr. Xu Yifei (徐一飛) (Representative of the employees)
Mr. Zeng Xiangfeng (曾向峰) (Representative of the employees)

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2022, the Supervisory Committee convened 7 meetings, at which the Company's financial position, significant investment projects and legal compliance of cooperate operations as well as performance of the senior management were reviewed. In 2022, the Supervisory Committee has complied with the principle of credibility to proactively perform their functions. For the details, please refer to the section headed "REPORT OF THE SUPERVISORY COMMITTEE" in this annual report.

14. Dividend Policy

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

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

15. Investor Relations

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

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

16. Amendments to the Articles of Association

The Company convened the 6th Meeting of the Board of Directors in 2022 and the 5th Meeting of the Supervisory Committee in 2022 on 31 May 2022 and the annual general meeting for 2021 on 29 June 2022 to consider and pass the Resolution on Amendments to the Articles of Association and Other Corporate Governance Systems. The Board of Directors and the Supervisory Committee proposed amendments to certain provisions of the Articles of Association, the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Supervisory Committee in order to respond to external regulatory requirements and to further enhance the corporate governance structure. The amendments were mainly made in accordance with the "Guidelines on the Articles of Association of Listed Companies (2022 Revision)" of the China Securities Regulatory Commission which came into effect in January 2022, the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (January 2022 Revision)" which came into effect in January 2022 and the latest amendments to the Listing Rules of the Hong Kong Stock Exchange, etc. For details of the relevant amendments, please refer to the Circular of the Company dated 8 June 2022 and the Poll Results of the Annual General Meeting Announcement of the Company dated 29 June 2022.

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

PRINCIPAL ACTIVITIES

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

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

SUMMARY FINANCIAL INFORMATION

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

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**18,566,795**	12,644,700	16,268,197	13,721,140	12,099,685
Operating costs	**(15,157,996)**	(16,734,169)	(12,386,553)	(11,125,022)	(10,304,074)
Gross profit	**3,408,799**	(4,089,469)	3,881,644	2,596,118	1,795,611
Other income and net gains	**347,844**	403,695	12,100	146,480	221,919
Marketing expenses	**(57,273)**	(50,335)	(56,192)	(49,296)	(22,805)
Administrative expenses	**(947,749)**	(905,495)	(811,088)	(876,990)	(748,155)
Net impairment (losses)/gains on financial and contract assets	**(4,402)**	33,777	5,508	(3,208)	(22,183)
Other expenses	**(43,125)**	(61,824)	(25,925)	(106,381)	(31,761)
Share of profits of associates	**317,497**	254,727	247,150	287,807	276,245
Share of profits of joint ventures	**725,255**	714,288	690,558	427,085	231,906
Finance costs	**(993,999)**	(826,672)	(1,039,721)	(1,419,627)	(1,287,714)
(Loss)/profit before tax	**2,752,847**	(4,527,308)	2,904,034	1,001,988	413,063
Income tax expense	**(964,255)**	(139,800)	(272,590)	(330,384)	(119,657)
(Loss)/profit for the year from continuing operations	**1,788,592**	(4,667,108)	2,631,444	671,604	293,406
Discontinued operation					
Profit for the year from discontinued operation, net of tax	**–**	–	–	–	–
(Loss)/profit for the year	**1,788,592**	(4,667,108)	2,631,444	671,604	293,406
(Loss)/profit for the year attributable to:					
Owners of the Company	**1,461,118**	(4,985,386)	2,381,415	413,857	74,679
Non-controlling interests	**327,474**	318,278	250,029	257,747	218,727
	1,788,592	(4,667,108)	2,631,444	671,604	293,406
Earnings per share	**RMB cents**	RMB cents	RMB cents	RMB cents	RMB cents
Basic	**30.65**	(104.68)	52.00	10.26	1.85
Diluted	**30.62**	(104.68)	51.96	10.26	1.85

	At 31 December				
	2022	2021	2020	2019	2018
Assets, liabilities and non-controlling interests	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**68,250,082**	59,388,937	65,959,857	65,841,861	63,416,267
Total liabilities and non-controlling interests	**(36,679,599)**	(30,797,891)	(31,338,029)	(37,717,126)	(35,224,647)
Equity attributable to owners of the Company	**31,570,483**	28,591,046	34,621,828	28,124,735	28,191,620

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

Notes:

1. The consolidated results of the Group for the years ended 31 December 2018 are extracted from the Company's 2019 annual report, the consolidated results of the Group for the years ended 31 December 2019 are extracted from the Company's 2020 annual report, the consolidated results of the Group for the years ended 31 December 2020 are extracted from the Company's 2021 annual report, while those for the years ended 31 December 2022 and 2021 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 113-114 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2018 were extracted from the Company's 2019 annual report, the consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2019 were extracted from the Company's 2020 annual report, and those as at 31 December 2020 were extracted from the Company's 2021 annual report, while those as at 31 December 2022 and 2021 were prepared based on the consolidated statement of financial position as set out on pages 115-117 of the consolidated financial statements.

3. The calculation of basic earnings per share for the year ended 31 December 2022 is based on the earnings attributable to owners of the Company for that year of RMB1,461,118,000 and weighted average number of 4,767,407,849 ordinary shares.

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 113 to 117.

No net profit has been transferred to the statutory surplus reserve as the Company's statutory surplus reserve has reached the statutory minimum standard for extraction at the end of 2022. According to the relevant laws and regulations, the Company's reserves available for distribution are determined based on the lower of the amount determined under Accounting Standards for Business Enterprises in the PRC (the "**CAS**") and the amount determined under HKFRS.

The Board recommends the payment of a final dividend of RMB15 cents per share in respect of the year ended 31 December 2022. None of the shareholders of the Company have waived or agreed to any dividend arrangement. The payment of this final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting and therefore the dividend has not been recognized as a liability at the end of the Reporting Period.

The Company will separately announce the arrangement in relation to the closure of the H share register of members of the Company and the annual general meeting of the Company in due course. The final dividend will be distributed within two months from the date of approval by the forthcoming annual general meeting.

BUSINESS REVIEW

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

A fair review of the Company's business

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

A description of the principal risks and uncertainties facing the Group

(1) The risk of macroeconomic fluctuations

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

(2) The risk of international economy and politics

The increasing uncertainties in the current global political and economic situation, such as geopolitical conflicts and trade frictions between major economies, will bring uncertainties to the global economy, and will also influence supply and demand, freight rates, safety of vessels and investment and financing of the global energy transportation. Failure to respond effectively may affect the Company's business operations and vessel safety, and may even hinder the achievement of the Company's international business strategy objectives.

(3) Risk of change in energy structure

The global energy transition triggered by the carbon peaking and carbon neutrality targets, the gradual increase in worldwide environmental requirements such as the reduction of carbon emissions, and the rise of new energy sources such as clean energy. All of these will have a profound impact on the changes in energy transportation demand and bring challenges to the Company's business planning and business layout.

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

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

(5) The risk of freight rate fluctuations

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

(6) The risk of fuel price fluctuations

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

In recent years, the Group has reduced fuel consumption through various methods, including promoting the extensive utilisation of vessel energy-saving technology and adopting economic shipping speed, and has reduced the fuel purchasing costs by enhancing fuel purchase and supply management, adopting diversified purchasing methods and responding timely to new conditions in the fuel market.

(7) The risk of safety in shipping

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

Moreover, events such as changes in international relations, regional conflicts, wars and terrorist attacks may also have impact on the safety of shipping and normal operations of vessels. In recent years, pirate activities have been unusually frequent, pirate problems in the Somali seas have become a focus of global concern, and pirates pose a material danger to the safety of shipping.

(8) The risk of operating activities compliance

The global economic, trade and political landscape continues to be complex, with international organizations and major countries or regions constantly making adjustments to their policies on trade, transportation, investment, taxation, environmental protection and anti-monopoly, or increasing their enforcement efforts by means of compliance regulation. Failure to strengthen the research on the rules and regulations and implement effective countermeasures may result in significant compliance risks to the Company's international business and seriously affect the healthy and sustainable development of the Company.

(9) The risk of safety in investment in new business areas

The Company's 14th Five-Year Plan has made it clear that it would seize the opportunity of the rapid development of the new energy market, actively develop the new energy transportation business and strive to cultivate first-mover advantages. The Company is developing new energy transportation business, researching new businesses such as carbon trading and carbon capture, and incubating industrial chain projects. If the Company fails to adequately investigate the industry and market conditions of these new business areas, conduct sufficient due diligence and feasibility studies on the investment projects, and prepare resources in all aspects when entering new business areas, the investment may fail and cause economic losses to the Company.

(10) The risk of digital IT construction and implementation

In the future journey of industrial and technological change, digital transformation is the inherent demand and inevitable choice for high-quality and sustainable development of the Company. Combined with the current rapid development of science and technology, seizing the constant of digital transformation and gradually pushing new technologies and concepts such as intelligent shipping, intelligent ships and intelligent management from theory to empirical evidence is a sure way for the Company to finally achieve self-breakthrough and self-improvement. Failure to implement business strategies into information and digital strategies, and business needs into information and digital outcomes and new business models may all lead to the failure of the company's digital transformation. In addition, with the development of data technology, data security and protection has become one of the global concerns and will face more risk challenges in the future.

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

None

An indication of likely development in the Group's business

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2023" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 28 to 33 of this annual report.

An analysis using financial key performance indicators

Revenue

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 9 to 14 of this annual report.

Costs and expenses

Please refer to the section of "COSTS AND EXPENSES ANALYSIS" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 14-15 of this annual report.

Other income and net gains

Other income and net gains of the Group resulted from the continuing operations of the year was approximately RMB348 million (2021: RMB404 million).

Share of profits of associates and joint ventures

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

Income tax

Income tax of the Group resulted from the continuing operations of the year in 2022 was RMB964 million (2021: RMB140 million).

The Company's environmental policies and performance

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

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

The Group's main business is the shipping of crude oil, product oil and LNG. The business of the Company and its subsidiaries is subject to a number of laws and regulations – mainly the Civil Code of the People's Republic of China, the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Maritime Law of the People's Republic of China, the Port Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the International Shipping Regulations of the People's Republic of China, the Regulations on the Administration of Domestic Waterway Transport, the Regulations on the Administration of Domestic Waterway Transport and other applicable regulations, policies and regulatory legal documents promulgated under or in relation to such laws and regulations. The Group has compliance procedures in place to ensure compliance with applicable laws, regulations and regulatory legal documents. The Group will inform its relevant staff and the relevant operating team from time to time of any changes to the applicable laws, regulations and regulatory legal documents in relation to its competent business.

In addition, provisions under other relevant laws and regulations are also applicable to the Group (e.g. the Labour Law of the People's Republic of China, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), etc.). The Group has committed specific resources at all levels of the Group to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and supervision of different business units. Although these measures require significant internal resources and incur additional operating costs, the Group takes seriously the importance of ensuring compliance with applicable laws and regulations.

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

Key relationships with employees, customers, suppliers and others

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

CHARITABLE DONATIONS

The Group made a donation of approximately RMB4 million during 2022 (2021: RMB20 million).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, as determined based on the lower of the amount determined under SAC and the amount determined under HKFRS, amounted to RMB7,014,877,000 before the proposed final dividend.

In addition, according to the Company Law of the PRC, an amount of approximately RMB12,134,750,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalization issues.

BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 31 to the consolidated financial statements.

MAJOR CUSTOMERS

During the Reporting Period, the five largest customers of the Group combined accounted for 64.04% of the Group's total turnover. The largest customer is China National Petroleum Corporation ("中國石油天然氣集團有限公司") and the sales to it accounted for 24.98% (in the year of 2021: China National Petroleum Corporation ("中國石油天然氣集團有限公司") was the largest customer of the Group and represented a sales percentage of 22.12%) (note: customers who are under the control of the same controller have been treated as one customer). None of the Directors, Supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

MAJOR SUPPLIERS

During the Reporting Period, the five largest suppliers of materials and services to the Group combined accounted for 71.98% of the Group's total purchases. The largest supplier is COSCO SHIPPING, and the purchases from it accounted for 52.41% (in the year of 2021: COSCO SHIPPING was the largest supplier of the Group and representing a supply proportion of 62.88%) (note: suppliers who are under the control of the same supplier have been treated as one supplier). Except as mentioned above, none of the Directors, Supervisors, their close associates, or any Shareholders, who, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

Executive Directors:
Mr. Ren Yongqiang (任永強)
Mr. Zhu Maijin (朱邁進)

Non-executive Directors:

Mr. Zhang Qinghai (張清海)	(Resigned on 8 July 2022[1])
Mr. Liu Zhusheng (劉竹聲)	(Resigned on 8 July 2022[2])
Mr. Wang Wei (王威)	(Appointed on 12 August 2022[3])
Ms. Wang Songwen (王松文)	(Appointed on 15 December 2022[4])

Independent non-executive Directors:

Mr. Teo Siong Seng (張松聲)	(Resigned on 8 July 2022[5])
Mr. Victor Huang (黃偉德)	
Mr. Li Runsheng (李潤生)	
Mr. Zhao Jinsong (趙勁松)	
Mr. Wang Zuwen (王祖温)	

Supervisors:
Mr. Weng Yi (翁羿)
Mr. Yang Lei (楊磊)
Mr. Xu Yifei (徐一飛)
Mr. Zeng Xiangfeng (曾向峰)

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

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

Notes:

1. Mr. Zhang Qinghai (張清海) had tendered his resignation 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. Mr. Liu Zhusheng (劉竹聲) had tendered his resignation 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.

3. At the First Extraordinary General Meeting in 2022, the appointments of Mr. Wang Wei (王威), as a non-executive Director, was duly approved by Shareholders and took effect immediately after the conclusion of the First Extraordinary General Meeting in 2022 on 12 August.

4. At the Second Extraordinary General Meeting in 2022, the appointments of Ms. Wang Songwen (王松文), as a non-executive Director, was duly approved by Shareholders and took effect immediately after the conclusion of the Second Extraordinary General Meeting in 2022 on 15 December.

5. Mr. Teo Siong Seng (張松聲), an independent non-executive Director of the Company, has served as an independent non-executive Director of the Company since 28 December 2015, which has exceeded the six-year term limit stipulated in the "Guiding Opinions on Establishing an Independent Director System in Listed Companies" issued by the China Securities Regulatory Commission. Mr. Teo therefore tendered his resignation as an independent non-executive Director and a member of corresponding Board committees of the Company, with effect from 8 July 2022 when the resignation reached the Board.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors and the senior management of the Group are set out on pages 239 to 244 of this annual report.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

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

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

DIRECTORS' REMUNERATION

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

REMUNERATION BY BANDS

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

Remuneration by bands	Number of Directors	Number of Supervisors	Number of Senior Management
RMBnil to RMB500,000	5	–	–
RMB500,001 to RMB1,000,000	–	–	–
RMB1,000,001 to RMB1,500,000	–	–	1
RMB1,500,001 to RMB2,000,000	–	1	1
RMB2,000,001 to RMB2,500,000	–	1	6
RMB2,500,001 to RMB3,000,000	–	–	–
RMB3,000,001 and above	2	–	–

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

REMUNERATION AND APPRAISAL COMMITTEE

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

MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 43 to the consolidated financial statements, COSCO SHIPPING Group (excluding the Group) provided miscellaneous management and other services to the Group during the year for a total fee of RMB60,104,000 (2021: RMB39,231,000).

PERMITTED INDEMNITY PROVISIONS

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

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

As at the 31 December 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 "**Stock Exchange**") were as follows:

Name of substantial shareholders	Class of shares[1]	Number of shares held[2]	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping Group Company Limited ("**China Shipping**") [3]	A	1,536,924,595 (L)	44.23%	32.22%
COSCO SHIPPING [3]	A	2,156,350,790 (L)	62.06%	45.20%
Citigroup Inc. [4]	H	74,729,019 (L)	5.77%	1.57%
		17,890,324 (S)	1.38%	0.37%
		55,224,566 (P)	4.26%	1.16%

Note 1: A – A share
H – H share
L – Long position
S – Short position
P- Shares available for lending

Note 2: As at 31 December 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: China Shipping directly holds 1,536,924,595 A shares in its capacity as beneficial owner. COSCO SHIPPING directly holds 619,426,195 A shares in its capacity as beneficial owner, accounting for approximately 17.83% and 12.98% of the A shares and of the total issued share capital of the Company, respectively. COSCO SHIPPING is the sole shareholder of China Shipping. Therefore, COSCO SHIPPING (itself and through its subsidiaries) is interested in 2,156,350,790 shares in total.

Note 4: As at 31 December 2022, according to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, Citigroup Inc. was interested in H shares through certain subsidiaries, of which 19,504,453 H shares (long position) and 17,890,324 H shares (short position) were held by it in its capacity as a body corporate interest controlled by it, 55, 224,566 H shares (shares available for lending) held in its capacity as approved lending agent.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in this report of the Directors (including but not limited to the connected transactions and continuing connected transactions stated below), during the Reporting Period and as at 31 December 2022, none of the Directors or Supervisors, or an entity connected with a Director or a Supervisor, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party.

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

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

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

Name of Director	Nature of interest	Class of shares[(1)]	Number of shares held[(2)]	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Zhu Maijin ("**Mr. Zhu**")[(3)]	Beneficial owner	A	244,420 (L)	0.00703%	0.00512%
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 102,980 A Shares held by Mr. Zhu. Mr. Zhu's entitlement to purchase up to 141,440 shares of the Company pursuant to the exercise of 141,440 share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

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

Name of associated corporation	Name of Director/ Supervisor	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. 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)	0.00077%	0.00077%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000 (L)	0.04454%	0.04454%

Notes: A – A shares
H – H shares
L – Long position

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

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2022, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2022 are set out in note 40 to the consolidated financial statements.

CONNECTED TRANSACTIONS

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

1. On 12 November 2021, the Company entered into the 2021 Financial Services Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING shall procure COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**"), a company controlled by COSCO SHIPPING, to provide the Group, with a range of financial services during a term of 3 years ending on 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Financial Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. The 2021 Financial Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Financial Services Framework Agreement, COSCO SHIPPING Finance will provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by China Banking and Insurance Regulatory Commission ("**CBIRC**"). In 2022, 2023, and 2024, the annual cap of deposit services under the 2021 Financial Services Framework Agreement was RMB9 billion, and the annual cap for loan services was RMB3 billion.

   Under the 2021 Financial Services Framework Agreement:

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

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

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

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

2. On 12 November 2021, the Company entered into the 2021 Shipping Materials and Services Framework Agreement with COSCO SHIPPING whereby the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) certain supplies and services. The 2021 Shipping Materials and Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Shipping Materials and Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) the necessary supporting shipping materials and services for the ongoing operations of the transportation business including supply of marine lubricant, supply of shipping fuel, supply of shipping materials and relevant repair services as well as other services (the "**Shipping Materials and Services**") for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. Under the 2021 Shipping Materials and Services Framework Agreement, the annual cap for provision of Shipping Materials and Services by the Group in 2022, 2023 and 2024 amounts to RMB100 million, RMB100 million and RMB150 million, respectively, the annual cap for receipt of Shipping Materials and Services by the Group in 2022, 2023 and 2024 amounts to RMB6.8 billion, RMB6.8 billion and RMB8.4 billion, respectively.

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

3. On 12 November 2021, the Company entered into the 2021 Sea Crew Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with the crew management, training, hiring and related services. The 2021 Sea Crew Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Sea Crew Framework Agreement, COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with crew management, training, hiring and related services for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. Under the 2021 Sea Crew Framework Agreement, the annual cap for receipt of the Crew Services by the Group in 2022, 2023 and 2024 amounts to RMB2.2 billion, RMB2.2 billion and RMB2.4 billion, respectively.

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

4. On 12 November 2021, the Company entered into the 2021 Services Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with miscellaneous services. The 2021 Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Services Framework Agreement, COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with the necessary supporting miscellaneous services, including computer and software maintenance services, accommodation, transportation and conference services as well as other services (the "**Miscellaneous Services**") for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. In 2022, 2023 and 2024, the annual cap under the 2021 Services Framework Agreement for receipt of Miscellaneous Services by the Group amounts to RMB70 million each year.

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

5. On 12 November 2021, the Company entered into the 2021 Lease Framework Agreement with COSCO SHIPPING pursuant to which the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with property and land use right leasing services. Pursuant to the 2021 Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with property and land use right leasing services for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. In 2022, 2023 and 2024, the annual cap under the 2021 Lease Framework Agreement for provision of the Leasing Services by the Group and for receipt of the Leasing Services by the Group amounts to RMB0.6 million and RMB10 million each year, respectively.

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

6. On 12 November 2021, the Company entered into the 2021 Trademark License Agreement with COSCO SHIPPING whereby COSCO SHIPPING agreed to shall grant to the Company and its subsidiaries a non-exclusive license with rights to use certain trademarks at a rate of RMB1.00 per annum for 3 years commencing from 1 January 2022 to 31 December 2024.

As at 31 December 2022, COSCO SHIPPING holds approximately 45.20% of the issued share capital of the Company. COSCO SHIPPING is therefore the Company's controlling shareholders as defined under the Listing Rules. As such, COSCO SHIPPING is a connected persons of the Company within the meaning of the Listing Rules.

COSCO SHIPPING Finance is a company controlled by COSCO SHIPPING and therefore a connected person of the Company. As such, the transactions pursuant to the 2021 Financial Services Framework Agreement constitute continuing connected transactions for the Company. The transactions pursuant to the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement, the 2021 Services Framework Agreement, the 2021 Lease Framework Agreement and 2021 Trademark License Agreement also constitute continuing connected transactions of the Company as such agreements were entered with COSCO SHIPPING.

The Group's treasury activities involves providing deposits and obtaining financial services to and from commercial banks from time to time to meet its business needs in the daily and normal course of business. The Board believes that by securing deposit and loan services from COSCO SHIPPING Finance for the three years ending 31 December 2024 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks.

The terms of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the shipping materials and services, crew services and miscellaneous services from the COSCO SHIPPING Group (excluding the Group), which is an experienced service provider in the shipping industry, and/or its associates will strengthen the competitiveness of the Group.

The reason for the bilateral arrangement in relation to the 2021 Lease Framework Agreement is mainly because of the geographical location of the leased properties. The Board considers that the 2021 Lease Framework Agreement can set up a framework and streamline the leasing procedures in respect of the leasing of properties between members of the Group and the COSCO SHIPPING Group (excluding the Group) and/or its associates.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2022 in relation to the non-exempt continuing connected transactions of the Group:

Transactions	Annual cap for the year ended 31 December 2022 (RMB'000)	Actual transaction amount for the year ended 31 December 2022 (RMB'000)
1. 2021 Financial Services Framework Agreement		
(a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance	9,000,000	3,669,021
(b) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance	3,000,000	2,926,681
2. 2021 Shipping Materials and Services Framework Agreement		
(a) Proposed annual caps for provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	100,000	99,525
(b) Proposed annual caps for receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	6,800,000	6,778,359
3. 2021 Sea Crew Framework Agreement		
(a) Proposed annual caps for receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	2,200,000	2,148,578
4. 2021 Services Framework Agreement		
(a) Proposed annual caps for receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	70,000	60,104
5. 2021 Lease Framework Agreement		
(a) Proposed annual caps for provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	600	431
(b) Proposed annual caps for receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	10,000	4,614
6. 2021 Trademark License Agreement		
COSCO Shipping granted to the Company and its subsidiaries a non-exclusive license with rights to use certain trademarks	RMB1.00	RMB1.00

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

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

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

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

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

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

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

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

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

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

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

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

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

The installment of the shipbuilding contract paid by the Group to Dalian COSCO SHIPPING Heavy Industry in 2022 was USD25,560, 000, equivalent to RMB175,601,322.

Pursuant to the Shareholding Restructuring of COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance"), on 19 May 2022, the Company will not exercise the Right of First Refusal with respect to approximately 6.1438% of the equity interests of COSCO SHIPPING Finance. After the Non- exercise of the Right of First Refusal, the Company will maintain its proportion of equity interests of COSCO SHIPPING Finance at 10.9145%.

Upon completion of the Shareholding Restructuring, each of the Post-Restructuring Shareholders (including the Company, COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and COSCO SHIPPING Specialized Carriers Co., Ltd. ("COSCO SHIPPING Specialized")) entered into a Capital Increase Agreement on 19 May 2022, pursuant to which the Post-Restructuring Shareholders conditionally agreed to increase the registered capital of COSCO SHIPPING Finance by a total of RMB13,500 million in proportion to their respective shareholdings in COSCO SHIPPING Finance. Accordingly, the Company agreed to inject capital of RMB1,473,457,500 pursuant to the Capital Increase Agreement. After the completion of the Shareholding Restructuring and Capital Increase, the registered capital of COSCO SHIPPING Finance will be increased from RMB6,000 million to RMB19,500 million, while the shareholding by the Company in COSCO SHIPPING Finance will remain at 10.9145%.

As at the date of the Transaction, COSCO SHIPPING directly holds 619,426,195 A shares of the Company and China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, holds 1,536,924,595 A shares of the Company. Accordingly, COSCO SHIPPING and its associates are entitled to control the voting rights of 2,156,350,790 A Shares, representing approximately 45.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is the controlling shareholder of the Company and a connected person of the Company. As at the date of the Transaction, COSCO SHIPPING Finance is a non-wholly owned subsidiary of COSCO SHIPPING, and 50.94% and 46.89% of the total issued share capital of COSCO SHIPPING Specialized and COSCO SHIPPING Holdings are held by COSCO SHIPPING respectively. Accordingly, COSCO SHIPPING Finance, COSCO Specialized and COSCO SHIPPING Holdings are all associates of COSCO SHIPPING and are therefore connected persons of the Company. Accordingly, the non-exercise of the right of First Refusal and the Capital Increase of the Company constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board considers that the non-exercise of the right of First Refusal is in line with the Company's long-term strategic development objectives and will enable the Company to focus on its core business. In addition, the non-exercise of the right of First Refusal will not dilute the Company's equity interest in COSCO SHIPPING Finance and therefore will not have any negative impact on the return of the Company's investment in COSCO SHIPPING Finance. The Capital Increase Agreement and the terms of the transactions contemplated thereunder were agreed by the Post-Restructuring Shareholders after arm's length negotiations. The Group's participation in the Capital Increase in proportion to its equity interest in COSCO SHIPPING Finance will avoid dilution of its equity interest in COSCO SHIPPING Finance, facilitate the maximization of shareholders' value and further increase the investment income from COSCO SHIPPING Finance.

For details of the above transactions, please refer to the announcement of the Company dated 19 May 2022 and the Circular of the Company dated 8 June 2022.

EMPLOYEES

As at the end of 2022, the Company had approximately 8,384 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the incentive scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2022, the total staff costs was approximately RMB3.678 billion (2021: approximately RMB3.197 billion).

EMPLOYEE HOUSING

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

MEDICAL INSURANCE SCHEME

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

PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Group are set out in note 39 to the consolidated financial statements.

No forfeited contributions were available as at 31 December 2022 to reduce future contributions.

SHARE OPTION SCHEME

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

(A) Purpose of the Incentive Scheme

The purpose of the Incentive Scheme is to:

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

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

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

(B) Participants of the Incentive Scheme

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

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

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

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

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

(D) Maximum entitlement of each participant

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

(E) Vesting period

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

(F) Exercise period

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

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

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

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

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

Performance targets of the Company:

Exercise Period	Performance targets
First exercise period	Return on net assets shall be no less than 16% in the most recent accounting year before the share options become effective; the compound growth rate of revenue shall be no less than 4% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry;
Second exercise period	Return on net assets shall be no less than 17% in the most recent accounting year before the share options become effective; the compound growth rate of revenue shall be no less than 5% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry;
Third exercise period	Return on net assets shall be no less than 18% in the most recent accounting year before the share options become effective; the compound growth rate of revenue shall be no less than 5.5% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry.

The economic value added (EVA) shall also meet the Company's target set by SASAC.

Performance targets of the participants:

The participant obtains "pass" or better grading at the personal performance appraisal conducted by the human resources department of the Company in the most recent accounting year before the share options become effective.

(G) Exercise price

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

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

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

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

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

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

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

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

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

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

(H) Validity period

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

(I) Movement of options granted under the Incentive Scheme

Details of movement of the options granted under the Incentive Scheme for the year ended 31 December 2022 and up to the date of this report were as follows:

	Number of options									
Name or category of participants	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	Outstanding options as at 31 December 2022 and as at the date of this report	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
Zhu Maijin (Director)	416,000[(1)]	-	(137,280)[(3)]	-	(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)[(3)]	(1,025,770)[(3)]	(7,947,230)[(4)]	10,030,880	27 December 2018	2 years from date of grant	28 December 2020 to 27 December 2025 [(4)]	5.74[(2)]
Total	28,780,000	-	(9,497,400)[(3)]	(1,025,770)[(3)]	(8,084,510)[(4)]	10,172,320				

(1) The closing price of the A shares immediately before the date on which the options were granted was RMB4.50. The weighted average closing price of the A shares immediately before the date on which the options were exercised was RMB 9.27.

(2) The exercise price was adjusted from RMB6.00 to RMB5.98 at the Board meeting on 30 March 2020. The exercise price was adjusted from RMB5.98 to RMB5.94 at the Board meeting on 29 October 2020. The exercise price was adjusted from RMB5.94 to RMB5.74 at the Board meeting on 30 August 2021.

(3) 3,740,000 share options held by 12 participants has been cancelled at the Board meeting on 30 March 2020. 2,359,000 share options held by 9 participants has been cancelled at the Board meeting on 28 December 2020. 581,000 share options held by 2 participants has been cancelled at the Board meeting on 30 August 2021. On the Board meeting on 29 April 2022, the Board approved the cancellation of 1,025,770 options held by 5 participants and 9,497,400 shares granted but not exercised in the first exercise period of the Incentive Scheme. The exercise price of the share options cancelled during the Report Period was RMB5.74 per share.

(4) At the Board meeting held on 29 April 2022, the Board considered that the exercise conditions of the second exercise period of the Company's Share Option Incentive Scheme had been fulfilled and approved the exercise of share options by eligible incentive recipients, with a total of 105 exercisable persons and a total number of 8,992,170 exercisable shares at an exercise price of RMB5.74 per share. On 27 May 2022, the Company announced that the number of exercisers for the second exercise period of the Incentive Scheme was 100 and the number of exercisable shares was 8,084,510 with the listing date of 2 June 2022, the exercise price and the net price was RMB5.74 per share and the closing price of the A shares on the record day (26 May 2022) was RMB9.22 per share. As at 6 May 2022, the Company had received a total of RMB46,405,087.40 from 100 incentive recipients for the exercise of 8,084,510 shares, of which RMB8,084,510 was credited to share capital and RMB38,320,577.40 was credited to capital reserve. Pursuant to the terms of the Incentive Scheme, the proceeds of RMB46,405,087.40 raised from the exercise of the Incentive Scheme have been used to replenish the Company's working capital. Further details of the results of the first exercise of the second exercise period of the Incentive Scheme and the listing of the Shares are set out in the overseas regulatory announcement of the Company dated 27 May 2022.

Other than the above, there were no other adjustments to the Company's incentive scheme during the Reporting Period.

During the Reporting Period, the Company did not grant any new share options or awards. During the Reporting Period and as at the date of this report, the Company has no share options or awards outstanding to be granted. Accordingly, the total number of shares available for issue under the Incentive Scheme is 10,172,320 shares, representing 0.21% of the total number of shares of the Company in issue as at the date of this report. The total number of A shares that may be issued in respect of options granted under the Incentive Scheme during the Reporting Period is 8,992,170 shares, representing 0.26% of the weighted average number of A shares in issue during the Reporting Period.

COMPLETION OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

On 17 March 2020, the Company has completed the proposed non-public issuance of A shares (the "**Proposed Noon-public Issuance of A Shares**") and registered such new shares with the China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of Shares increased from 4,032,032,861 Shares to 4,762,691,885 Shares, and the total number of A Shares increased from 2,736,032,861 A Shares to 3,466,691,885 A Shares.

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

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

(1) Class of Shares: A Shares

(2) Nominal value per Share: RMB1.00

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

(4) Issue price: RMB6.98 per A Share

(5) Net price: Approximately RMB6.95 per A Share

(6) Market price of A Shares on the price determination date (being 4 March 2020): RMB5.88 per A Share

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

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

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

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

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

Details of the usage of the proceeds raised:

unit: RMB million

No.	Project	Net proceeds	Utilized proceeds as of 31 December 2022	Unutilized proceeds as of 31 December 2022
1	Acquisition of 14 oil tankers	4,688.23	4,721.94	–
	Including: 4 VLCC oil tankers	1,971.51	1,985.23	–
	3 Suez oil tankers	992.10	992.10	–
	3 Aframax oil tankers	778.04	798.04	–
	2 LR2 product oil tankers	531.67	531.67	–
	2 Panamax oil tankers	414.90	414.90	–
2	Acquisition of two Panamax oil tankers (72,000-tonne class)	387.78	387.78	–
Total		5,076.01	5,109.72	–

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board
Ren Yongqiang
Chairman

Shanghai, the PRC
30 March 2023

DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive Directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter referred to as the "**Company**"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2022 in accordance with the format and requirement provided in Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) as below, and will report to the Shareholders at the annual general meeting of the Company.

I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

As at 31 December 2022, the Board comprises 8 Directors, including 2 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors. The constitution is in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Listing Rules.The four independent non-executive Directors are Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen, and they are professionals with work experience in the fields of finance, corporate governance and maritime law, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions of independent directors. Mr. Victor Huang, Mr. Li Runsheng, Mr. Wang Zuwen and Mr. Zhao Jinsong act as Chairman of the relevant committee (as the case may be), in four professional committees, i.e., the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Risk Control Committee under the Board. For further information of the biographical details of the four independent non-executive Directors, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" disclosed in the annual report.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

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

1. Attendance of Board Meetings and General Meetings

In 2022, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention to during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2022, the Company convened 17 Board meetings (13 meetings of which were held by way of correspondence) and 3 general meetings. We have reported our duty performance report in the annual general meeting for 2021 and the report is published on the Company's website and the website of the Shanghai Stock Exchange.

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

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

The following table shows the attendance of independent non-executive Directors at the above meetings in 2022:

Name	**Number of Board meetings required to attend this year** (times)	**Attend Board meetings in person** (times)	**Attend Board meetings by proxies** (times)	**Board meetings absence** (times)
Mr. Teo Siong Seng (張松聲)	7	7	0	0
Mr. Victor Huang (黃偉德)	17	17	0	0
Mr. Li Runsheng (李潤生)	17	17	0	0
Mr. Zhao Jinsong (趙勁松)	17	17	0	0
Mr. Wang Zuwen(王祖溫)	17	17	0	0

Name	**Number of general meetings required to attend this year** (times)	**Attend general meetings in person** (times)	**general meetings absence** (times)
Mr. Teo Siong Seng (張松聲)	1	1	0
Mr. Victor Huang (黃偉德)	3	3	0
Mr. Li Runsheng (李潤生)	3	3	0
Mr. Zhao Jinsong (趙勁松)	3	3	0
Mr. Wang Zuwen (王祖溫)	3	3	0

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

2. Work of Professional Committees of the Board

(1) Strategy Committee

By the end of 2022, the Strategy Committee of the Board of the Company consisted of 6 Directors, including 2 executive Directors, 2 non-executive Directors and 2 independent non-executive Directors, and Mr. Ren Yongqiang was the Chairman. During 2022, the Strategy Committee held two meetings to review the 2021 CSR Report of the Company and 2022 Investment Plan and Disposal Plan of the Company. The following table shows the attendance of members of the Strategy Committee during the Reporting Period.

(2) Audit Committee

By the end of 2022, the Audit Committee comprised 3 independent non-executive Directors, and Mr. Victor Huang was the Chairman.

During 2022, the Audit Committee held 8 meetings, considered 17 proposals including the proposal on change in accounting estimate regarding the adjustment of the estimated net salvage value of the vessels, the proposal on the provision for impairment of ship assets, the Audit Committee's 2021 performance report, 2021 annual report on operation and basic financial situation, ShineWing and PricewaterhouseCoopers: 2021 audit report, report on the Company's 2021 internal audit work summary and 2022 work plan, the proposal on the Company's 2021 internal control system report, proposal on the Company's 2021 connected transaction report, proposal on the Company's first quarterly report in 2022, proposal on non-exercise of right of first refusal in the share transfer of COSCO SHIPPING Group Finance Co., Ltd., proposal on capital increase to COSCO SHIPPING Group Finance Co., Ltd., proposal on appointment of auditing institutions for 2022, operation and financial situation in the first half of 2022, ShineWing and PricewaterhouseCoopers: 2022 half-year review, proposal on the Company's 2022 third quarterly report, proposal on audit plan of the Company's 2022 domestic and overseas financial report, and the proposal on the establishment of a pre-approval policy for "non-assurance services" for overseas audit institutions.

The Audit Committee holds at least two meetings with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2022, the Audit Committee held 2 meetings with the external auditors. The Audit Committee will first review the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

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

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

(3) Remuneration and Appraisal Committee

By the end of 2022, the Remuneration and Appraisal Committee consisted of 3 independent non-executive Directors and Mr. Li Runsheng was the Chairman.

In 2022, the Remuneration and Appraisal Committee held 3 meetings, reviewed five resolutions including the proposal on the remuneration of the Company's senior management members in 2021, the proposal on the remuneration of the Company's directors and supervisors in 2022, the adjustment of the list of incentive targets and the number of options of the share option incentive scheme and the cancellation of some options granted but not yet exercised, the proposal on the fulfillment of the exercise conditions of the second exercise period of the stock option incentive scheme, and the proposal on the revision of the "Administrative Measures for Total Salary of the Company (Trial)".

(4) Nomination Committee

By the end of 2022, the Nomination Committee consisted of 3 Directors, all being independent non-executive Directors, and Mr. Wang zuwen was the Chairman.

In 2022, the Nomination Committee convened 4 meetings to consider four resolutions including the appointment of the senior management of the Company, the appointment of Mr. Wang Wei as a Non-executive Director of the Company, the appointment of Ms. Wang Songwen as a Non-executive Director of the Company and the appointment of Mr. Chen Jianrong as a Deputy General Manager of the Company, and submitted relevant proposals to the Board for approval.

(5) Risk Control Committee

By the end of 2022, the Risk Control Committee consisted of three Directors, two of whom were independent non-executive Directors, and Mr. Zhao Jinsong was the Chairman.

In 2022, the Risk Control Committee held 3 meetings, considered five resolutions including the "Proposal on the Report on the Company's Internal Control and Risk Management in 2021", the "Proposal on the Company's Risk and Internal Control Manual Version 2.0", the "Proposal on the Company's Safety Work Report in 2022" and the revision of the Company's Compliance Management Rules and Internal Control and Risk Management Rules.

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

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

3. Independent Opinions

In 2022, we provided prior approval opinions at the reappointment of auditors, non-exercise of the right of first refusal in the share transfer of COSCO SHIPPING Finance Company Limited and the capital increase in COSCO SHIPPING Finance Company Limited, and gave independent directors' opinions on matters such as asset impairment, profit distribution, reappointment of auditors, appointment of directors and management team, the remuneration of directors, supervisors and management team, expected warranty, changes in accounting estimates and continuing connected transactions.

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

1. Related Party Transactions

The Company formulated and executed the "System for the Administration of Related Party Transactions of COSCO SHIPPING Energy", pursuant to which, the related party (connected) transactions business was operated according to law and regulation. Board meetings and general meetings are convened as required at which the related directors and shareholders abstain from voting with relevant transactions approved by non-connected directors or shareholders, independent non-executive Directors all make statements and express independent opinions, which eradicates the occurrence of related party (connected) transactions conducted by substantial shareholders in violation of relevant regulations.

2. External Guarantee and Funds Embezzlement

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

3. Use of the Raised Funds

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

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

4. Nomination of Senior Managerial Staff and their Remuneration

In 2022, the Board appointed Mr. Chen Jianrong as the deputy general manager of the Company for a term commencing from the date of approval by the Board until April 2025. After the review on his personal documents, we think he is eligible to be the members of the management team.

The Company has established incentive mechanisms that correlated with business results in order to encourage the Company's management team to implement targeted management, increase profitability and to promote activeness of managers and technicians.

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

We believed that this Incentive Scheme can further improve the Company's long-term incentive mechanism, fully mobilize the enthusiasm and creativity of employees, improve the cohesion of employees and the Company's competitiveness, effectively combine the interests of shareholders, the Company and the personal interests of incentive targets, and promote the Company's long-term, sustained and healthy development, and no harm would be caused to the interests of the Company and all shareholders.

5. Results Forecast and Preliminary Financial Data

The Company released a negative profit alert in January 2022 as there was a loss of earnings for the year 2021 and the Company released a profit warning in July 2022 as there was a decrease on profit for the first half of 2022.

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

6. Appointment or Replacement of Certified Public Accountants

The annual shareholders' meeting of the Company held on June 29, 2022 approved the reappointment of the Company's domestic and international auditors for the year 2022 and their compensation, including:

Reappointment of ShineWing Certified Public Accountants (Special General Partnership) ("ShineWing") as the domestic auditor of the Company for the year 2022 and reappointment of PricewaterhouseCoopers as the international auditor of the Company for the year 2022.

ShineWing is qualified to practice securities and futures related business issued by the competent state authorities and is able to meet the relevant requirements of the Company's domestic audit work. PricewaterhouseCoopers has the certificate of registration issued by the Hong Kong Institute of Certified Public Accountants and the business registration certificate issued by the Hong Kong Inland Revenue Department, and is qualified to be appointed as the Company's auditor under Professional Accountants Ordinance pursuant to rule 4.03 of the Hong Kong Listing Rules. PricewaterhouseCoopers is able to meet the relevant H-Share requirements for the audit of the Company's.

We agreed to reappointment ShineWing to serve as the Company's domestic auditor and PricewaterhouseCoopers as the international auditor in 2022. We believed that the Company's decision-making procedures were legally compliant and no damage would be caused to the Company or the interests of small and medium shareholders.

7. Cash Dividends and Other Returns for Investors

In 2021, the Company achieved a net profit attributable to owners of the Company RMB -4,985 million. The profit distribution plan of the Company for 2021 proposed by the board was no profit distribution and no capitalization of capital reserves which had been approved at the annual general meeting for 2021. We believe that no profit distribution in the case of operating loss of the Company is in compliance with the Company's Articles of Association and the regulations of the CSRC, and is in line with the strategic needs of the Company's development.

8. Fulfillment of Undertakings by the Company and Shareholders

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

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

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

9. Implementation of Information Disclosure

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

10. Implementation of Internal Controls

In 2022, in accordance with the special work plan of State-owned Assets Supervision and Administration Commission and COSCO Shipping Group on Strengthening Compliance Management Year, the Company started the construction of big compliance system, taking the Company's Compliance Management System (《合規管理辦法》) as the general outline, the comprehensive management system as the main body, and the special compliance guidelines as the focus, actively promoted the integration of internal control and risk management, system construction, compliance management and legal management. The Company organized and carried out "all-level, all-field and all-dimensional" compliance risk identification and screening within the system, identified 232 compliance risk points, formulated 663 prevention and control measures, and put forward 23 suggestions for management improvement. On this basis, the Company established and improved the Company's "compliance risk database" and "laws and regulations database", and identified 127 key positions in compliance management. The Company compiled Compliance Responsibility List for each post in the form of positive and negative lists, and implemented compliance requirements to employees. The Company also guided each affiliated enterprise to build their own compliance management system according to the practice of the headquarters simultaneously, and promoted the compliance system construction to cover each unit of the Group.

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

11. Operation of the Board and its Professional Committees

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

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

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

We, the 4 independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2022, we did not oppose any proposal discussed at Board meetings and other meetings of the Company.

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

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2022, we maintained regular communication with management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

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

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

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

30 March 2023

REPORT OF THE SUPERVISORY COMMITTEE

1. WORK OF THE SUPERVISORY COMMITTEE

(1) In 2022, the Supervisory Committee held 7 meetings, details of which are set out below:

Date	Content
21-January-22	1. Provision for change in accounting estimate regarding the adjustment of the estimated net salvage value of the vessels 2. Provision for asset impairment on vessels
30-March-22	1. Report on the work of the Company's Supervisory Committee in 2021 2. 2021 Annual Report of the Company (A Share/H Share) 3. 2021 audited financial report of the Company 4. 2021 profit distribution plan of the Company 5. 2021 social responsibility report of the Company 6. Proposal on the internal control and risk management work report of the Company 7. Proposal on the Company's connected transactions report for 2021 8. Proposal on the special report on the deposit and actual use of the Company's fund raising for year of 2021
29-April-22	1. First quarterly report of 2022 2. Proposal on the adjustment of the list of incentive recipients and the number of options under the Stock Option Incentive Scheme and to cancel some stock options granted but not yet exercised 3. Proposal on the achievement of exercise conditions for the second period of the Stock Option Incentive Scheme
19-May-22	1. Proposal on the waiver of right of first refusal in relation to the transfer of equity interests in COSCO Shipping Group Finance Company Limited 2. Proposal on the capital increase in COSCO Shipping Group Finance Company Limited
31-May-22	1. Proposal on the amendments to the Rules of Procedure of the Supervisory Committee 2. Proposal on the guarantee quota between the Company and its wholly-owned subsidiaries for the second half of 2022 and the first half of 2023
30-August-22	1. Report of the General Manager of the Company for the first half of 2022 2. Interim report and results announcement for the six months ended 30 June 2022 3. Proposal on the special report on the deposit and actual use of the Company's fund raising for the first half year of 2022 4. Proposal on the Report on the Continuous Assessment of the Risks of COSCO Shipping Finance Company Limited
28-October-22	1. Third quarterly report of 2022

(2) Composition of the Supervisory Committee and the attendance of Supervisors at the above meetings in 2022:

Name	Position	Number of Supervisory Committee meetings required to attend this year	Attend Supervisory Committee meetings in person	Attend Supervisory Committee meetings by proxies	Absence
Weng Yi (翁羿)	Chairman	6	6	0	0
Yang Lei (楊磊)	Supervisor	6	6	0	0
Xu Yifei (徐一飛)	Supervisor as a representative of employees	7	7	0	0
Zeng Xiangfeng (曾向峰)	Supervisor as a representative of employees	7	7	0	0

(3) Attendance of Supervisors at the general meetings in 2022

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

2. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2022

(1) Legal Operation

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

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

(2) Financial Condition

The Company had standard financial accounting and healthy internal control system. The financial report of the Company objectively, truthfully and fairly reflects its financial condition and operational performance. The 2022 annual consolidated financial statements represented a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows in 2022 and the 2022 annual consolidated financial statements were audited by ShineWing and PricewaterhouseCoopers.

(3) Related Party Transactions

The Supervisory Committee has connected carefully reviewed the 2022 related party transactions of the Company and considered that the related party transactions with COSCO SHIPPING Finance Co., Ltd and with COSCO SHIPPING are all necessary to the routine operations of the Company. The related party transactions was priced by a fair market principle, following the principle of fairness, justice and transparency, undertaking legal decision-making procedure and according with the relevant local listing rules. The information disclosure is standard and transparent. There is no such behavior detrimental to the interest of the Company.

(4) Asset Purchase and Disposal

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

(5) Self-assessment Report of Internal Control

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

(6) Establishment and Implementation of Insider Information Management System

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

(7) Stock Incentive Scheme

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

(8) Information Disclosure Management System

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

(9) Management on Raised Funds

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

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

Shanghai, the PRC
30 March 2023

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 113 to 236, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is freight revenue for vessel voyages in progress at year end.

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Freight revenue for vessel voyages in progress at year end

Refer to Notes 2.22 and 5 to the consolidated financial statements.

For year ended 31 December 2022, the Group recognised revenues of RMB18,567 million out of which RMB15,745 million was related to freight revenue which represents revenue from oil shipment excluding vessel chartering.

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

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

How our audit addressed the Key Audit Matter

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

- evaluated and tested the key controls that management has established in respect of recording freight revenue, focusing on management's controls over the estimate of freight revenue for vessel voyages which were still in progress at year end;

- tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer and vendor contracts;

- checked the port loading and discharging information (i.e. time and date) on a sample basis against the supporting documents such as terminal records; and

- recomputed the estimated freight revenue and calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		For the year ended 31 December	
		2022	2021
	Note	**RMB'000**	RMB'000
Revenues	5	**18,566,795**	12,644,700
Operating costs	8	**(15,157,996)**	(16,734,169)
Gross profit/(loss)		**3,408,799**	(4,089,469)
Other income and gains, net	6	**347,844**	403,695
Marketing expenses	8	**(57,273)**	(50,335)
Administrative expenses	8	**(947,749)**	(905,495)
(Provision for)/reversal of impairment losses on financial and contract assets		**(4,402)**	33,777
Other expenses		**(43,125)**	(61,824)
Share of profits of associates	18	**317,497**	254,727
Share of profits of joint ventures	19	**725,255**	714,288
Finance costs	7	**(993,999)**	(826,672)
Profit/(loss) before tax		**2,752,847**	(4,527,308)
Income tax expense	9	**(964,255)**	(139,800)
Profit/(loss) for the year		**1,788,592**	(4,667,108)
Other comprehensive income			
Item that will not be reclassified to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(89,362)**	32,942
Remeasurement of defined benefit plan payable		**2,560**	2,630
Exchange differences from retranslation of financial statements of subsidiaries		**46,069**	(234)
Items that may be reclassified to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**551,195**	(188,028)
Net profit on cash flow hedges		**619,172**	152,564
Hedging gain reclassified to profit or loss	7	**80,219**	123,240
Share of other comprehensive income/(loss) of associates		**52,907**	(19,518)
Share of other comprehensive income/(loss) of joint ventures		**594,283**	(18,620)
Other comprehensive income for the year		**1,857,043**	84,976
Total comprehensive income/(loss) for the year		**3,645,635**	(4,582,132)

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

For the year ended 31 December 2022

	Note	For the year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**1,461,118**	(4,985,386)
Non-controlling interests		**327,474**	318,278
Profit/(loss) for the year		**1,788,592**	(4,667,108)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		**2,934,742**	(5,075,283)
Non-controlling interests		**710,893**	493,151
		3,645,635	(4,582,132)
Earnings/(losses) per share	13		
– Basic (RMB cents/share)		**30.65**	(104.68)
– Diluted (RMB cents/share)		**30.60**	(104.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2022

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**2,259**	10,387
Property, plant and equipment	15	**47,179,133**	43,286,633
Right-of-use assets	16	**834,747**	915,813
Goodwill	17	**73,325**	73,325
Investments in associates	18	**4,392,639**	2,746,279
Investments in joint ventures	19	**5,377,379**	4,126,124
Loan receivables	21	**1,293,889**	1,197,618
Financial assets at fair value through other comprehensive income	22(a)	**387,090**	506,240
Deferred tax assets	23(a)	**38,274**	40,387
Derivative financial instruments	30	**116,525**	–
Other non-current assets		**172,236**	–
		59,867,496	52,902,806
CURRENT ASSETS			
Current portion of loan receivables	21	**19,046**	27,912
Inventories	24	**1,278,069**	1,013,203
Contract assets	25	**1,632,174**	749,161
Trade and bills receivables	25	**545,041**	369,482
Prepayments, deposits and other receivables	26	**668,099**	785,266
Taxes recoverable		**40**	16,451
Pledged bank deposits	27	**778**	767
Cash and bank	27	**4,239,339**	3,523,889
		8,382,586	6,486,131
TOTAL ASSETS		**68,250,082**	59,388,937

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As 31 December 2022

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
NON-CURRENT LIABILITIES			
Provision and other liabilities		**18,634**	15,286
Derivative financial instruments	30	**–**	556,105
Interest-bearing bank and other borrowings	31	**20,746,728**	12,667,077
Other loans	32	**945,044**	911,337
Employee benefits payable	34	**159,908**	166,301
Lease liabilities	16	**1,086,548**	1,329,584
Deferred tax liabilities	23(b)	**1,132,313**	483,139
		24,089,175	16,128,829
CURRENT LIABILITIES			
Trade and bills payables	28	**1,939,321**	1,780,544
Other payables and accruals	29	**1,000,003**	904,171
Contract liabilities		**18,894**	23,737
Current portion of interest-bearing bank and other borrowings	31	**7,018,242**	7,647,436
Current portion of other loans	32	**48,678**	43,386
Current portion of bonds payable	33	**–**	2,538,514
Current portion of employee benefits payable	34	**30,521**	27,271
Current portion of lease liabilities	16	**370,554**	325,796
Taxes payable		**164,304**	46,970
		10,590,517	13,337,825
TOTAL LIABILITIES		**34,679,692**	29,466,654

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	35	**4,770,776**	4,762,692
Reserves	36	**26,799,707**	23,828,354
		31,570,483	28,591,046
Non-controlling interests		**1,999,907**	1,331,237
TOTAL EQUITY		**33,570,390**	29,922,283

Ren Yongqiang
Director

Zhu Maijin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	FVOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020	4,762,692	12,096,153	273,418	101,254	(286,027)	2,877,435	14,475	93,158	(766,342)	106,652	(125,579)	15,474,539	34,621,828	980,518	35,602,346
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	(4,985,386)	(4,985,386)	318,278	(4,667,108)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	16,800	-	-	16,800	16,142	32,942
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	2,630	2,630	-	2,630
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(188,028)	-	(188,028)	(234)	(188,262)
Net loss on cash flow hedges	-	-	-	-	-	-	-	-	62,246	-	-	-	62,246	90,318	152,564
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	50,282	-	-	-	50,282	72,958	123,240
Share of other comprehensive profit of associates	-	-	-	-	-	-	-	-	(15,766)	1,783	(1,224)	-	(15,207)	(4,311)	(19,518)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	114,226	-	(132,846)	-	(18,620)	-	(18,620)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	210,988	18,583	(322,098)	(4,982,756)	(5,075,283)	493,151	(4,582,132)
Accrual of safety fund reserve	-	-	-	-	-	-	122,875	-	-	-	-	(131,303)	(8,428)	8,428	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(132,866)	-	-	-	-	141,280	8,414	(8,414)	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(216,830)	(216,830)
Dividends paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	-	(952,538)	(952,538)	-	(952,538)
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	-	-	(7,119)	(7,119)	-	(7,119)
Fair value of share options granted	-	-	-	4,172	-	-	-	-	-	-	-	-	4,172	-	4,172
Contribution from non-controlling interests of the subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	74,384	74,384
At 31 December 2021	4,762,692	12,096,153	273,418	105,426	(286,027)	2,877,435	4,484	93,158	(555,354)	125,235	(447,677)	9,542,103	28,591,046	1,331,237	29,922,283

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY														
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Safety fund reserve RMB'000	General surplus reserve RMB'000	Hedging reserve RMB'000	FVOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 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 year	-	-	-	-	-	-	-	-	-	-	-	1,461,118	1,461,118	327,474	1,788,592
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	(45,575)	-	-	(45,575)	(43,787)	(89,362)
Remeasurement of defined benefit plan payable	-	-	-	-	-	-	-	-	-	-	-	2,560	2,560	-	2,560
Currency translation differences	-	-	-	-	-	-	-	-	-	-	551,195	-	551,195	46,069	597,264
Net profit on cash flow hedges	-	-	-	-	-	-	-	-	294,763	-	-	-	294,763	324,409	619,172
Hedging gain reclassified to profit or loss	-	-	-	-	-	-	-	-	32,729	-	-	-	32,729	47,490	80,219
Share of other comprehensive profit of associates	-	-	-	-	-	-	-	-	39,604	(23)	4,088	-	43,669	9,238	52,907
Share of other comprehensive profit of joint ventures	-	-	-	-	-	-	-	-	529,498	-	64,785	-	594,283	-	594,283
Total comprehensive income for the year	-	-	-	-	-	-	-	-	896,594	(45,598)	620,068	1,463,678	2,934,742	710,893	3,645,635
Issue of A shares in connection with the exercise of share options	8,084	47,214	-	(8,893)	-	-	-	-	-	-	-	-	46,405	-	46,405
Accrual of safety fund reserve	-	-	-	-	-	-	171,925	-	-	-	-	(181,069)	(9,144)	9,144	-
Utilisation of safety fund reserve	-	-	-	-	-	-	(172,395)	-	-	-	-	177,281	4,886	(4,886)	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(178,990)	(178,990)
Fair value of share options granted	-	-	-	2,548	-	-	-	-	-	-	-	-	2,548	-	2,548
Contribution from non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	132,509	132,509
At 31 December 2022	4,770,776	12,143,367	273,418	99,081	(286,027)	2,877,435	4,014	93,158	341,240	79,637	172,391	11,001,993	31,570,483	1,999,907	33,570,390

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	For the year ended 31 December 2022 RMB'000	2021 RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	38	**4,129,839**	3,335,953
INVESTING ACTIVITIES			
Interest received		**81,140**	91,724
Payments for construction in progress		**(4,434,506)**	(2,924,787)
Purchases of property, plant and equipment		**(15,224)**	(1,321)
Investments in an associate		**(1,473,458)**	(10,648)
Investments in joint ventures		**(333,031)**	(581,532)
Proceeds from disposal of property, plant and equipment		**362,107**	91,886
Collection of loan receivables from associates		**29,790**	30,240
Dividends received from associates		**208,881**	271,880
Dividends received from joint ventures		**401,987**	435,764
Dividends received from financial assets at fair value through other comprehensive income		**15,809**	13,010
Increase in pledged bank deposits		**(11)**	(3)
NET CASH USED IN INVESTING ACTIVITIES		**(5,156,516)**	(2,583,787)

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Interest paid	**(854,432)**	(882,258)
Proceeds from derivative financial instruments	**304**	–
Dividends paid	**–**	(952,538)
Dividends paid to non-controlling interests of subsidiaries	**(181,531)**	(285,375)
Repayment of other loans	**(94,867)**	(48,198)
Increase in interest-bearing bank and other borrowings	**14,977,971**	7,245,201
Repayment of interest-bearing bank and other borrowings	**(9,600,923)**	(6,962,033)
Repayment of principle of bonds	**(2,500,000)**	–
Contribution from non-controlling interests of the subsidiary	**132,509**	74,384
Issue of A shares in connection with the exercise of share options	**46,405**	–
Principal elements of finance lease payments	**(354,435)**	(263,899)
Share issue cost and borrowings acquisition cost	**(7,101)**	(9,148)
NET CASH USED IN FINANCING ACTIVITIES	**1,563,900**	(2,083,864)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**537,223**	(1,331,698)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,522,615**	4,869,963
Effect of foreign exchange rate changes, net	**178,527**	(15,650)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**4,238,365**	3,522,615

1. CORPORATE INFORMATION

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

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

(a) investment holding; and/or

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

(c) vessel chartering; and/or

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

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

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

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

These consolidated financial statements were approved for issue by the Board on 30 March 2023.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value or revalued amount.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3.
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16 (March 2021) (the "HKFRS 16 Amendment (March 2021)"), and
- Amendments to AG 5 Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the above mentioned amended standards or annual improvements.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. The Group has already commenced an assessment of the related impact of these new standard, interpretation and amendments to the existing standards to the Group, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the consolidated financial statements.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Hong Kong Interpretations 5 (2020)	Hong Kong Interpretation 5 (2020) presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.1 Basis of preparation (Continued)

(v) Going concern

As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately Rmb2,208 million. In preparing these financial statements, the Board considers the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for period of not less than the coming 12 months. As at 31 December 2022, the Group has total unutilised uncommitted credit facilities of approximately Rmb38,621 million from banks. The Board believes that, based on experience to date, the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. With the cash inflows from operations and available credit facilities, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for not less than the coming 12 months. Accordingly, the Board believes that it is appropriate to prepare these financial statements on a going concern basis.

2.2 Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

ii. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

iv. Equity method (Continued)

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

v. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.3 Business combinations (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.5 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.5 Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.6 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Leasehold improvements	Over the shorter of the remaining useful life or the lease term
Vessels	22-30 years (Note)
Machinery and equipment	3-5 years
Motor vehicles	8 years
Buildings	8-40 years

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.7 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.8 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.10 Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.10 Investments and other financial assets (Continued)

(iii) *Measurement* (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.10 Investments and other financial assets (Continued)

(iii) *Measurement* (Continued)

Equity instruments

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

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

(iv) *Impairment*

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 25 for further details.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.12 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 30. Movements in the hedging reserve in shareholders' equity are shown in Note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.12 Derivatives and hedging activities (Continued)

Cash flow hedge that quantity for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.12 Derivatives and hedging activities (Continued)

Cash flow hedge that quantity for hedge accounting (Continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 20 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 25 for further information about the Group's accounting for trade receivables and Note 4.5 for a description of the Group's impairment policies.

2.14 Cash and bank

For the purpose of presentation in the statement of cash flows, cash and bank includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.15 Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.18 Current and deferred income tax (Continued)

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.18 Current and deferred income tax (Continued)

Deferred income tax (Continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.19 Employee benefits (Continued)

(iii) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.19 Employee benefits (Continued)

(iii) Post-employment obligations (Continued)

Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.20 Share-based payments

Share-based compensation benefits are provided to employees via the Company's Employee Option Plan. Information relating to these schemes is set out in Note 35.

Employee options

The Employee Option Plan was issued by the Group with three employ option plans, which were equity settled share based payments.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

(a) Revenue from contracts with customers

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

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

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

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

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.22 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

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

Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

Contract liabilities are recognised for advance from customers with contracts.

There is no material contract fulfillment cost or cost of obtaining contracts of the Group.

The Group do not have any significant variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonuses or royalties.

The Group assesses, and includes in the transaction price at contract inception, the amount of variable, consideration to which it expects to be entitled.

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

(i) Revenue from oil shipment

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

(ii) Revenue from vessel chartering

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.22 Revenue recognition (Continued)

(b) Other revenue

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

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

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

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.24 Leases

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

Contracts may contain both lease and non-lease components. The Group, as lessor, allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.24 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.
- If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.24 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 6 provides further information on how the Group accounts for government grants.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (Continued)

2.27 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income, see Note 6 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3. FINANCIAL RISK MANAGEMENT

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk

(i) Foreign currency risk

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

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2022, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the year would have been RMB6,953,000 higher/lower (31 December 2021: RMB38,187,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and bank, receivables, payables and borrowings.

(ii) Interest rate risk

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

As at 31 December 2022, if interest rates had been 100 basis points higher/lower with all other variables held constant excluding variables with interest rate swap agreements, the Group's post-tax profit for the year would have been RMB130,978,000 lower/higher (31 December 2021: RMB99,926,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

Instruments used by the Group

Swaps currently in place cover approximately 22% (31 December 2021: 20%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 3.05% and 6.40% (31 December 2021: 4.53% and 6.40%) and the variable rates of the loans are between 1.40% and 2.20% above 3-month LIBOR which at the end of the reporting period was 4.74% (31 December 2021: 0.21%).

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2022	2021
	'000	'000
Interest rate swaps		
Carrying amount	**116,525**	(556,105)
Notional amount	**5,113,632**	3,234,711
Maturity date	**2031-2035**	2031-2033
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 January	**699,391**	275,804
Change in value of hedged item used to determine hedge effectiveness	**(699,391)**	(275,804)
Weighted average hedged rate for the year	**5.90%**	6.14%

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Price risk

As at 31 December 2022, the Group's financial assets at FVOCI amounted to RMB387,090,000 (31 December 2021: RMB506,240,000) as disclosed in Note 22 to the consolidated financial statements are measured at fair value at the end of each reporting period. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stockholding decisions.

(b) Credit risk

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

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and contract assets and impairment of other receivables as set out in Note 25 to the consolidated financial statements.

As at 31 December 2022, trade and bills receivables due from the top five debtors amounted to RMB227,022,000 (31 December 2021: RMB137,870,000), representing 42% (31 December 2021: 37%) of the total trade and bills receivables.

The Group has provided guarantees relating to the bank borrowings in respect of certain joint ventures in their ordinary course of business. The Group controls its credit risk to non-performance by its counterparties through monitoring the credit rating of these counterparties. As at 31 December 2022, the Directors are of the opinion that the credit risk is minimal as the associates and joint ventures have good credit standing.

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

As at 31 December 2022 and 31 December 2021, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and several non-bank financial institutions which are related parties of the Group. In view of strong state support provided to those government-related financial institutions, the Directors are of the opinion that there is no significant credit risk on such assets being exposed.

(c) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years RMB'000	Total RMB'000
At 31 December 2022				
Trade and bills payables	**1,939,321**	**–**	**–**	**1,939,321**
Financial liabilities included in other payables and accruals	**1,000,003**	**–**	**–**	**1,000,003**
Interest payable in relation to borrowings and bonds	**120,314**	**–**	**–**	**120,314**
Lease liabilities	**423,350**	**419,702**	**743,059**	**1,586,111**
Interest-bearing bank and other borrowings	**7,879,741**	**3,175,216**	**21,815,197**	**32,870,154**
Other loans	**102,882**	**102,737**	**1,079,381**	**1,285,000**
Financial guarantee	**–**	**–**	**2,152,363**	**2,152,363**
	11,465,611	**3,697,655**	**25,790,000**	**40,953,266**
At 31 December 2021				
Trade and bills payables	1,780,544	–	–	1,780,544
Financial liabilities included in other payables and accruals	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
Financial guarantee	–	–	2,066,013	2,066,013
	13,878,538	2,068,480	18,277,006	34,224,024

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2022				
Financial assets:				
Derivative financial instruments	**–**	**116,525**	**–**	**116,525**
Financial assets at FVOCI	**387,090**	**–**	**–**	**387,090**
Financial liabilities:				
Derivative financial instruments	**–**	**–**	**–**	**–**
At 31 December 2021				
Financial assets:				
Financial assets at FVOCI	506,240	–	–	506,240
Financial liabilities:				
Derivative financial instruments	–	556,105	–	556,105

During the years ended 31 December 2022 and 31 December 2021, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value measurement (Continued)

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

(e) Capital management

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

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

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

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total debts	**30,215,794**	25,463,130
Less: cash and bank	**(4,239,339)**	(3,523,889)
Net debt	**25,976,455**	21,939,241
Total equity	**33,570,390**	29,922,283
Net debt-to-equity ratio	**77%**	73%

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Impairment of vessels

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

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

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

4.2 Freight revenue for vessel voyages in progress at year end

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.3 Estimated useful lives and residual values of vessels

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

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

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2022 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased by RMB324,685,000 (for the year ended 31 December 2021: RMB277,013,000) or increased by RMB396,838,000 (for the year ended 31 December 2021: RMB338,571,000) for the year ended 31 December 2022.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2022 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by RMB31,849,000 (for the year ended 31 December 2021: RMB57,598,000) for the year ended 31 December 2022.

4.4 Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the year in which such determination is made.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (see Note 23).

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.5 Provision for impairment losses on trade and other receivables, contract assets and loan receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12 month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

As at 31 December 2022, allowance for trade and other receivables, contract assets and loan receivables amounted to RMB24,899,000 (31 December 2021: RMB20,013,000).

5. REVENUES AND SEGMENT INFORMATION

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

The Group's business segments are categorized as follows:

a. oil shipment

– oil shipment

– vessel chartering

b. LNG

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

5. REVENUES AND SEGMENT INFORMATION (Continued)

Business segments

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

	For the year ended 31 December			
	2022		2021	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By principal activity:				
Oil shipment				
– Oil shipment	**15,745,050**	**2,466,067**	10,573,854	(3,988,708)
– Vessel chartering	**1,502,933**	**286,734**	839,744	(752,257)
	17,247,983	**2,752,801**	11,413,598	(4,740,965)
LNG	**1,318,812**	**655,998**	1,231,102	651,496
	18,566,795	**3,408,799**	12,644,700	(4,089,469)
Other income and gains, net		**347,844**		403,695
Marketing expenses		**(57,273)**		(50,335)
Administrative expenses		**(947,749)**		(905,495)
(Provision for)/reversal of impairment losses on financial and contract assets		**(4,402)**		33,777
Other expenses		**(43,125)**		(61,824)
Share of profits of associates		**317,497**		254,727
Share of profits of joint ventures		**725,255**		714,288
Finance costs		**(993,999)**		(826,672)
Profit/(loss) before tax		**2,752,847**		(4,527,308)

5. REVENUES AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

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

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

During the years ended 31 December 2022 and 2021, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total segment assets		
Oil shipment	**46,243,327**	44,418,031
LNG	**19,458,471**	13,973,544
Others	**2,548,284**	997,362
	68,250,082	59,388,937
Total segment liabilities		
Oil shipment	**24,162,945**	21,135,306
LNG	**10,505,909**	8,324,540
Others	**10,838**	6,808
	34,679,692	29,466,654

As at 31 December 2022, the total net carrying amount of the Group's oil tankers and LNG vessels were RMB33,683,815,000 (31 December 2021: RMB33,120,413,000) and RMB10,901,939,000 (31 December 2021: RMB7,829,086,000) respectively.

5. REVENUES AND SEGMENT INFORMATION (Continued)

Geographical segments

	For the year ended 31 December			
	2022		2021	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	**RMB'000**	RMB'000	RMB'000
By geographical area:				
Domestic	**5,892,937**	**1,292,503**	5,669,946	762,204
International	**12,673,858**	**2,116,296**	6,974,754	(4,851,673)
	18,566,795	**3,408,799**	12,644,700	(4,089,469)

Other information

	Oil shipment	LNG	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022				
Additions to non-current assets	**1,310,725**	**3,150,525**	**263**	**4,461,513**
Depreciation and amortisation	**2,496,861**	**313,209**	**4,643**	**2,814,713**
Gains on disposal of property, plant and equipment, net	**73,945**	**–**	**–**	**73,945**
Interest income	**57,280**	**23,860**	**–**	**81,140**
Year ended 31 December 2021				
Additions to non-current assets	2,223,600	374,921	–	2,598,521
Depreciation and amortisation	2,538,158	289,065	4,437	2,831,660
Impairment of vessels	4,961,450	–	–	4,961,450
Gains on disposal of property, plant and equipment, net	22,275	–	–	22,275
Interest income	28,624	25,200	5	53,829

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2022 and 2021.

6. OTHER INCOME AND GAINS, NET

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Other income		
Government subsidies (Note)	**148,932**	328,375
Interest income from loan receivables	**53,108**	34,583
Bank interest income	**28,032**	19,246
Dividends received from financial assets at FVOCI	**15,809**	13,010
Rental income from investment properties	**298**	328
Others	**(10,636)**	(4,675)
	235,543	390,867
Other gains		
Exchange gains/(losses), net	**38,356**	(14,559)
Gains on disposal of property, plant and equipment, net	**73,945**	22,275
Others	**–**	5,112
	112,301	12,828
	347,844	403,695

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

7. FINANCE COSTS

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**829,390**	480,621
– corporate bonds	**88,286**	129,253
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**80,219**	123,240
– lease liabilities	**65,702**	78,444
– exchange (gains)/losses, net	**(50,244)**	15,114
	1,013,353	826,672
Less: interest capitalised	**(19,354)**	–
	993,999	826,672

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

8. EXPENSES BY NATURE

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Bunker oil inventories consumed	**5,573,264**	3,217,781
Staff costs (a)	**3,763,219**	3,197,447
Depreciation of property, plant and equipment	**2,600,011**	2,551,810
Amortization of right-of-use assets	**211,073**	279,850
Vessel operating lease rentals	**1,605,450**	1,577,100
Port fees	**953,958**	792,380
Repairs	**497,340**	432,787
Auditors' remuneration		
– Audit services	**6,600**	5,760
– Non-audit services	**1,573**	1,716
Impairment of vessels	**–**	4,961,450
Other expenses	**950,530**	671,918
Total operating costs, marketing expenses and administrative expenses	**16,163,018**	17,689,999

(a)

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Staff costs		
Wages, salaries, crew expenses and related expenses (including bonus and share-based payments)	**3,709,993**	3,137,605
Costs for defined benefit plan (Note 34)	**12,665**	24,979
Pension scheme contributions	**40,561**	34,863
	3,763,219	3,197,447

9. INCOME TAX EXPENSE

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income

	Note	For the year ended 31 December 2022 RMB'000	2022 RMB'000
Current income tax			
PRC			
– provision for the year	(i)	**280,269**	124,324
– adjustments for current tax of prior periods		**(177)**	(5,710)
Hong Kong			
– provision for the year		**1,062**	964
Other districts			
– provision for the year	(ii)	**2,023**	686
		283,177	120,264
Deferred income tax			
Decrease in deferred tax assets (Note 23)		**2,113**	2,389
Increase in deferred tax liabilities (Note 23)	(iii)	**678,965**	17,147
		681,078	19,536
Total income tax expense		**964,255**	139,800

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (for the year ended 31 December 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.

(iii) The Group adjusted the profit distribution policy of some overseas subsidiaries in 2022, and recorded deferred tax liabilities of RMB630,428,000 based on the profit distribution plan and amount proposed by the overseas subsidiaries.

9. INCOME TAX EXPENSE (Continued)

(b) **The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:**

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) before tax	**2,752,847**	(4,527,308)
Calculated at a tax rate of 25% (for the year ended 31 December 2021: 25%)	**688,212**	(1,131,827)
Adjustments for current tax of prior periods	**(177)**	(5,710)
Tax effect of share of profits of associates	**(77,553)**	(63,682)
Tax effect of share of profits of joint ventures	**(181,314)**	(178,572)
Tax effect of income not subject to tax	**(139,325)**	(7,864)
Tax effect of expenses not deductible for tax	**19,373**	11,907
Tax effect of unused tax losses not recognised	**–**	229,469
Tax effect of temporary differences not recognised	**(15)**	928,936
Tax effect of utilisation of tax losses previously not recognised	**(85,977)**	(21,980)
Tax effect of different tax rate of dividends received from joint ventures	**152,500**	124,665
Tax effect of unremitted earnings	**641,596**	4,655
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(53,065)**	249,803
Income tax expense	**964,255**	139,800

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of directors, supervisors and senior management are disclosed as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Independent non-executive directors (Note 10(a))		
– fees	**1,045**	1,239
Executive and non-executive directors (excluded independent non-executive directors) (Note 10(b))		
– salaries, allowances and benefits in kind	**1,377**	1,510
– discretionary bonus	**4,673**	2,397
– pension scheme contributions	**126**	126
– share-based payment expenses	**39**	191
	6,215	4,224
Supervisors (Note 10(b))		
– salaries, allowances and benefits in kind	**2,232**	2,582
– discretionary bonus	**1,865**	3,164
– pension scheme contributions	**126**	171
	4,223	5,917
Senior management		
– salaries, allowances and benefits in kind	**5,633**	3,741
– discretionary bonus	**10,951**	5,870
– pension scheme contributions	**463**	357
– share-based payment expenses	**256**	510
	17,303	10,478
Total	**28,786**	21,858

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Certain senior management are also executive directors and supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive directors and supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

For the year ended 31 December 2022, share options of 8 directors, supervisors and senior management were exercised.

Details and movements of share options are set out in Note 35 to the consolidated financial statements.

(a) Details of the fees paid to each of the independent non-executive directors during the year were as follows:

		For the year ended 31 December	
		2022	2021
	Note	**RMB'000**	RMB'000
Mr. Rui Meng		**–**	155
Mr. Teo Siong Seng	(i)	**177**	325
Mr. Victor Huang		**331**	325
Mr. Li Runsheng		**177**	171
Mr. Zhao Jinsong		**179**	171
Mr. Wang Zuwen		**181**	92
		1,045	1,239

Note:

(i) Resigned on 8 July 2022.

There were no other emoluments payable to the independent non-executive directors during the year (for the year ended 31 December 2021:Nil).

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows:

	Fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension Scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Year ended 31 December 2022						
Executive directors						
Mr. Ren Yongqiang	–	695	2,405	63	–	3,163
Mr. Zhu Maijin	–	682	2,268	63	39	3,052
	–	1,377	4,673	126	39	6,215
Non-executive directors						
Mr. Zhang Qinghai (i)	–	–	–	–	–	–
Mr. Liu Zhusheng (ii)	–	–	–	–	–	–
Mr. Wang Wei (iii)	–	–	–	–	–	–
Ms. Wang Songwen (iv)	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Mr. Yang Lei	–	–	–	–	–	–
Mr. Weng Yi	–	–	–	–	–	–
Mr. Xu Yifei	–	1,271	946	63	–	2,280
Mr. Zeng Xiangfeng	–	961	919	63	–	1,943
	–	2,232	1,865	126	–	4,223

Note:

(i) Resigned on 8 July 2022.

(ii) Resigned on 8 July 2022.

(iii) Appointed on 12 August 2022.

(iv) Appointed on 15 December 2022.

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows: (Continued)

	Fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension Scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Year ended 31 December 2021						
Executive directors						
Mr. Liu Hanbo	–	530	912	39	102	1,583
Mr. Ren Yongqiang	–	332	310	30	–	672
Mr. Zhu Maijin	–	648	1,175	57	89	1,969
	–	1,510	2,397	126	191	4,224
Non-executive directors						
Mr. Feng Boming	–	–	–	–	–	–
Mr. Zhang Wei	–	–	–	–	–	–
Ms. Lin Honghua	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Mr. Yang Lei	–	–	–	–	–	–
Mr. Zeng Xiangfeng (i)	–	781	1,010	57	–	1,848
Mr. Xu Yifei	–	1,022	1,129	57	–	2,208
Ms. An Zhijuan	–	779	1,025	57	–	1,861
Mr. Weng Yi	–	–	–	–	–	–
	–	2,582	3,164	171	–	5,917

Note:

(i) Appointed on 2 July 2021

There were no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2021: Nil).

(d) Directors' termination payments or benefits

No payment was made or benefit provided to directors as compensation for the early termination of the appointment or in respect of termination of the services of directors during the year (2021: Nil).

(e) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by any third party for making available the services of a person as a director of a company, or in any other capacity while as a director (2021: Nil).

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the year (2021: Nil).

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (for the year ended 31 December 2021: one) directors and zero (for the year ended 31 December 2021: three) supervisors, details of whose emoluments are set out in Note 10 to the consolidated financial statements. Details of the emoluments of the remaining three (for the year ended 31 December 2021: one) highest paid non-director and non-supervisor individuals for the year were as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,672**	757
Discretionary bonus	**5,327**	988
Pension scheme contributions	**189**	57
Share-based payment expenses	**119**	63
	7,307	1,865

The emoluments of the three (for the year ended 31 December 2021: one) highest paid non-director and non-supervisor individuals fell within the following bands:

	Number of individuals For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
RMB1,719,000 to RMB2,148,000 (2021: RMB1,635,200 to RMB2,044,000) (equivalent to HKD2,000,000 to HKD2,500,000)	**–**	1
RMB2,148,000 to RMB2,578,000 (2021: RMB2,044,000 to RMB2,452,800) (equivalent to HKD2,500,001 to HKD3,000,000)	**3**	–
RMB2,578,000 to RMB3,008,000 (2021: RMB2,452,800 to RMB2,861,600) (equivalent to HKD3,000,001 to HKD3,500,000)	**–**	–

During the year, no remuneration were paid by the Group to any of the Directors, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (for the year ended 31 December 2021: Nil).

12. DIVIDENDS

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Final dividend for 2021 – RMB Nil (31 December 2021: Final dividend for 2020 – RMB0.2) per share	**–**	952,538

At the Board meeting held on 30 March 2023, the Directors proposed a final dividend of RMB715,616,000 representing RMB0.15 per share, in respect of the profits for the year ended 31 December 2022. This proposed final dividend is subject to the approval of the Company's shareholders meeting at the forthcoming annual general meeting, and accordingly has not been recognised as a liability at the end of the year.

13. EARNINGS PER SHARE

(a) Basic

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**1,461,118**	(4,985,386)
Weighted average number of ordinary shares in issue (thousand)	**4,767,408**	4,762,692
Basic earnings/(loss) per share (RMB cents/share)	**30.65**	(104.68)

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

13. EARNINGS PER SHARE (Continued)

(b) Diluted

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

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**1,461,118**	(4,985,386)
Weighted average number of ordinary shares in issue (thousand)	**4,767,408**	4,762,692
Adjustments for share options (thousand)	**6,722**	–
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**4,774,130**	4,762,692
Diluted earnings/(loss) per share (RMB cents/share) (Note)	**30.60**	(104.68)

Note:

For the year ended 31 December 2022, the share options granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company.

14. INVESTMENT PROPERTIES

As at 31 December 2022 and 31 December 2021, the Group's properties are leased to other parties under operating leases to earn rental income and are measured using the fair value model. As a result, these properties are classified and accounted for as investment properties. Movements of the investment properties during the year are set out below:

	31 December 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the year	**10,387**	10,387
Transfer to property, plant and equipment	**(8,128)**	–
At the end of the year	**2,259**	10,387

The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease. As at 31 December 2022 and 31 December 2021, the fair value of their investment properties is based on level 2 fair value hierarchy.

The fair value of the investment properties as at 31 December 2022 and 31 December 2021 have been arrived at on the basis of a valuation carried out by independent valuers. The fair value of these investment properties was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of these investment properties, the highest and best use of these investment properties is their current use. There has been no change from the valuation technique used in prior years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2022							
Cost							
At 1 January 2022	41,518	67,168,712	46,057	19,949	1,459,397	1,082,949	69,818,582
Additions	2,539	–	4,557	–	–	4,450,448	4,457,544
Transfer in/(out)	–	4,234,834	16,206	–	–	(4,251,040)	–
Transfer from investment properties	–	–	–	–	8,128	–	8,128
Disposals	(449)	(649,580)	(1,467)	–	–	–	(651,496)
Currency translation differences	78	3,179,674	383	53	–	87,357	3,267,545
At 31 December 2022	43,686	73,933,640	65,736	20,002	1,467,525	1,369,714	76,900,303
Accumulated depreciation and impairment							
At 1 January 2022	35,221	26,219,213	25,897	16,505	235,113	–	26,531,949
Charge for the year	3,918	2,538,053	10,265	815	46,960	–	2,600,011
Disposals	(318)	(354,481)	(1,452)	–	–	–	(356,251)
Currency translation differences	14	945,101	295	51	–	–	945,461
At 31 December 2022	38,835	29,347,886	35,005	17,371	282,073	–	29,721,170
Net book amount							
At 31 December 2022	4,851	44,585,754	30,731	2,631	1,185,452	1,369,714	47,179,133
At 31 December 2021	6,297	40,949,499	20,160	3,444	1,224,284	1,082,949	43,286,633

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Vessels RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2021							
Cost							
At 1 January 2021	41,518	65,371,469	49,938	23,710	1,503,815	1,240,465	68,230,915
Additions	–	–	1,321	–	–	2,596,906	2,598,227
Transfer in/(out)	–	2,731,506	7,528	–	–	(2,739,034)	–
Disposals	–	(116,191)	(12,640)	(3,748)	(44,418)	–	(176,997)
Currency translation differences	–	(818,072)	(90)	(13)	–	(15,388)	(833,563)
At 31 December 2021	41,518	67,168,712	46,057	19,949	1,459,397	1,082,949	69,818,582
Accumulated depreciation and impairment							
At 1 January 2021	31,940	19,443,806	31,922	18,866	207,237	–	19,733,771
Charge for the year	3,281	2,492,472	6,437	981	48,639	–	2,551,810
Disposals	–	(81,397)	(12,384)	(3,329)	(20,763)	–	(117,873)
Currency translation differences	–	(203,637)	(78)	(13)	–	–	(203,728)
Impairment loss	–	4,567,969	–	–	–	–	4,567,969
At 31 December 2021	35,221	26,219,213	25,897	16,505	235,113	–	26,531,949
Net book amount							
At 31 December 2021	6,297	40,949,499	20,160	3,444	1,224,284	1,082,949	43,286,633
At 31 December 2020	9,578	45,927,663	18,016	4,844	1,296,578	1,240,465	48,497,144

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2022, the Group's certain vessels are leased to other parties under operating leases. Further details of the vessels under operating lease arrangements are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Cost	**24,092,250**	16,590,874
Accumulated depreciation	**(5,594,918)**	(3,883,155)
Net carrying amount	**18,497,332**	12,707,719

Further details of the Group's operating lease arrangements as lessee are disclosed in Note 16 to the consolidated financial statements.

As at 31 December 2022, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see Note 31).

During the year, interest expense capitalised in vessel costs were RMB19,354,000 (for the year ended 31 December 2021: Nil).

16. LEASE

This Note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Right-of-use assets		
Vessels	**795,691**	877,587
Prepaid land lease payments*	**31,028**	32,325
Properties	**7,303**	5,901
Vehicles	**725**	–
	834,747	915,813
Lease liabilities		
Current	**370,554**	325,796
Non-current	**1,086,548**	1,329,584
	1,457,102	1,655,380

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

Additions to the right-of-use assets during the 2022 financial year were RMB3,969,000 (for the year ended 31 December 2021: RMB294,000).

16. LEASE (Continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Vessels	**210,068**	275,435
Properties	**3,246**	2,842
Prepaid land lease payments	**1,297**	1,573
Vehicles	**91**	–
	214,702	279,850
Impairment loss	**–**	393,481
Interest expense (included in finance cost)	**65,702**	78,444
Expense relating to short-term leases (included in operating costs and administrative expenses)	**17,671**	17,226

The total cash outflow for leases in 2022 was RMB420,137,000 (2021: RMB342,343,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various buildings, vessels, and vehicles. Rental contracts are typically made for fixed periods of 2 years to 16 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

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

17. GOODWILL

There were two cash generating units ("**CGU**") in the year related to oil shipment and vessel chartering services. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on a value in use calculation separately prepared for goodwill impairment assessment relating to Guangzhou Sanding Oil-Shipping Co., Ltd. of RMB58,168,000 (31 December 2021: RMB58,168,000) and COSCO PetroChina SHIPPING Co., Ltd. ("**COSCO PetroChina SHIPPING**") of RMB15,157,000 (31 December 2021: RMB15,157,000). That calculation uses cash flow projections based on the most recent financial budgets of 5 years approved by management, cash flows beyond the 5-year-on-year are extrapolated using nil growth rate, and a discount rate of 9.5% (31 December 2021: 9.5%). The growth rate for the extrapolation year is based on management's best estimates with consideration of both internal and external factors relating to the CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these subsidiaries to exceed their recoverable amount.

18. INVESTMENTS IN ASSOCIATES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Share of net assets	**3,557,534**	1,911,174
Goodwill	**835,105**	835,105
	4,392,639	2,746,279

18. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 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
			31 December 2022	31 December 2021	**31 December 2022**	31 December 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	RMB19,500,000,000 (2021: 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 consolidated financial statements.

The Company has significant influence even though it holds less than 20 per cent of the voting rights of CS Finance and TRADEGO.

18. 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	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets	**2,331,129**	2,298,590
Current assets	**593,409**	490,285
Non-current liabilities	**(293,207)**	(203,350)
Current liabilities	**(227,661)**	(247,975)
Net assets	**2,403,670**	2,337,550
Proportion of the Group's ownership interest	**40%**	40%
The Group's share of net assets	**961,468**	935,020
Goodwill	**835,105**	835,105
Carrying amount of the Group's interest in the associate	**1,796,573**	1,770,125

	2022 RMB'000	2021 RMB'000
For the year ended 31 December		
Revenues	**1,966,091**	1,663,545
Profit for the year	**548,087**	513,320
Other comprehensive profit/(loss)	**28,760**	(2,739)
Total comprehensive income for the year	**576,847**	510,581
Dividends received from the associate	**200,000**	240,000

18. INVESTMENTS IN ASSOCIATES (Continued)

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

	2022	2021
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**2,596,066**	976,154
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	**102,553**	55,613
Other comprehensive income/(loss)	**52,908**	(18,422)
Total comprehensive income for the year	**155,461**	37,191

19. INVESTMENTS IN JOINT VENTURES

	31 December	31 December
	2022	2021
	RMB'000	RMB'000
Share of net assets	**4,900,274**	3,649,019
Goodwill	**477,105**	477,105
	5,377,379	4,126,124

19. INVESTMENTS IN JOINT VENTURES (Continued)

As at 31 December 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
			31 December 2022	31 December 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	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Orange LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Yellow LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Indigo LNG Shipping Limited	Hong Kong/Limited liability company	USD1,000	**50%**	50%	Vessel holding
Arctic Gold LNG Shipping Limited	Hong Kong/Limited liability company	USD93,075,962 (2021: USD1,000)	**50%**	50%	Vessel holding
Arctic Silver LNG Shipping Limited	Hong Kong/Limited liability company	USD93,075,962 (2021: USD1,000)	**50%**	50%	Vessel holding
Arctic Bronze LNG Shipping Limited	Hong Kong/Limited liability company	USD93,075,962 (2021: USD1,000)	**50%**	50%	Vessel holding

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

19. INVESTMENTS IN JOINT VENTURES (Continued)

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	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets	**9,488,411**	7,584,472
Current assets	**947,712**	790,393
Cash and bank	**937,138**	680,535
Other current assets	**10,574**	109,858
Non-current liabilities	**(1,871,869)**	(2,405,551)
Current liabilities	**(1,418,957)**	(526,827)
Net assets	**7,145,297**	5,442,487
Non-controlling interests	**(1,081,943)**	(941,364)
	6,063,354	4,501,123
Proportion of the Group's ownership interest	**50%**	50%
The Group's share of net assets	**3,031,677**	2,250,561
Goodwill	**477,105**	477,105
Carrying amount of the Group's interest in the joint venture	**3,508,782**	2,727,666

19. INVESTMENTS IN JOINT VENTURES (Continued)

For the year ended 31 December	**2022** **RMB'000**	2021 RMB'000
Revenues	**1,072,741**	980,995
Profit for the year	**1,138,706**	1,058,598
Other comprehensive income	**995,042**	130,096
Total comprehensive income for the year	**2,133,748**	1,188,694
Dividends received from the joint ventures	**183,816**	243,668

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

	2022 **RMB'000**	2021 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**1,868,596**	1,398,458
For the year ended 31 December		
Aggregate amounts of the Group's share of:		
Profit for the year	**257,844**	270,510
Other comprehensive income/(loss)	**96,762**	(83,668)
Total comprehensive income for the year	**354,606**	186,842

20. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets	Note	2022 RMB'000	2021 RMB'000
Financial assets at amortise d cost			
Trade and bills receivables	25	**545,041**	369,482
Loan receivables	21	**1,312,935**	1,225,530
Cash and bank	27	**4,239,339**	3,523,889
Financial assets at fair value through other comprehensive income (FVOCI)	22(a)	**387,090**	506,240
Derivative financial instruments	30	**116,525**	–
		6,600,930	5,625,141

Financial liabilities	Note	2022 RMB'000	2021 RMB'000
Liabilities at amortised cost			
Trade and bills payables	28	**1,939,321**	1,780,544
Interest-bearing bank and other borrowings	31	**27,764,970**	20,314,513
Other loans	32	**993,722**	954,723
Bonds payable	33	**–**	2,538,514
Lease liabilities	16	**1,457,102**	1,655,380
Derivative financial instruments	30	**–**	556,105
		32,155,115	27,799,779

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

21. LOAN RECEIVABLES

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Loans to associates	(i)	**346,992**	345,757
Loans to joint ventures	(ii)	**965,943**	879,773
		1,312,935	1,225,530
Less: current portion		**(19,046)**	(27,912)
Non-current portion		**1,293,889**	1,197,618

Note:

(i) As at 31 December 2022, loans to associates are unsecured, interest-bearing at approximately 1.29% to 6.48% over 3-month London Inter-bank offered Rate ("**LIBOR**") (31 December 2021: approximately 5.83% to 6.63% over 3-month LIBOR) per annum and repayable in 2030 and 2031.

(ii) As at 31 December 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 are completed.

As at 31 December 2022 and 31 December 2021, all loan receivables are denominated in USD.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Equity investments at fair value through other comprehensive income

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Listed equity investments in the PRC	**387,090**	506,240

(b) Amounts recognised in profit or loss and other comprehensive income

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

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
(Loss)/gain recognised in other comprehensive income	**(119,150)**	32,942

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Accelerated tax depreciation RMB'000	**Others RMB'000**	**Total RMB'000**
At 1 January 2021	42,776	–	42,776
Charge to profit or loss	(2,389)	–	(2,389)
At 31 December 2021	40,387	–	40,387
At 1 January 2022	**40,387**	**–**	**40,387**
Charge to profit or loss	**(2,389)**	**276**	**(2,113)**
At 31 December 2022	**37,998**	**276**	**38,274**

23. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	Revaluation of investment properties RMB'000	Fair value change on FVOCI RMB'000	Unremitted earnings RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	1,137	107,936	118,152	223,153	4,639	455,017
Charge/(credit) to profit or loss	58	–	73,453	(55,991)	(373)	17,147
Charge to other comprehensive income	–	10,980	–	–	–	10,980
Exchange realignment	–	–	–	–	(5)	(5)
At 31 December 2021	1,195	118,916	191,605	167,162	4,261	483,139
At 1 January 2022	**1,195**	**118,916**	**191,605**	**167,162**	**4,261**	**483,139**
Charge/(credit) to profit or loss	**(467)**	**–**	**684,854**	**(5,118)**	**(304)**	**678,965**
Credit to other comprehensive income	**–**	**(29,787)**	**–**	**–**	**–**	**(29,787)**
Exchange realignment	**–**	**–**	**–**	**–**	**(4)**	**(4)**
At 31 December 2022	**728**	**89,129**	**876,459**	**162,044**	**3,953**	**1,132,313**

23. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Deferred tax assets	**38,274**	40,387
Deferred tax liabilities	**(1,132,313)**	(483,139)
	(1,094,039)	(442,752)

As at 31 December 2022, deferred tax asset in respect of tax losses of RMB2,673,000 (31 December 2021: RMB346,581,000), which will expire within five years, has not been recognised in the consolidated financial statements as it is not certain that future taxable profit will be available against which these losses can be utilised.

As at 31 December 2022, the unrecognised deferred income tax liabilities were 186,382,000 (31 December 2021: RMB564,400,000).

24. INVENTORIES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Bunker oil inventories	**1,030,462**	758,943
Ship stores and spare parts	**247,607**	254,260
	1,278,069	1,013,203

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade and bills receivables from third parties	**543,923**	369,222
Trade receivables from a joint venture	**–**	34
Trade receivables from fellow subsidiaries	**5,068**	998
Trade receivables from related companies (Note)	**2,173**	7,718
	551,164	377,972
Less: allowance for doubtful debts (Note 25(b))	**(6,123)**	(8,490)
	545,041	369,482
Current contract assets relating to oil shipment contracts	**1,636,674**	750,802
Less: allowance (Note 25(b))	**(4,500)**	(1,641)
Total contract assets	**1,632,174**	749,161

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

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

As at 31 December 2022, trade and bills receivables and contract assets of RMB947,977,000 (31 December 2021: RMB207,988,000) are denominated in USD.

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	**397,569**	285,553
4 – 6 months	**51,230**	41,029
7 – 9 months	**54,306**	18,713
10 – 12 months	**34,031**	10,454
1 – 2 years	**7,897**	12,120
Over 2 years	**8**	1,613
	545,041	369,482

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

(b) Impairment of trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and Producer Price Index (PPI) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for both trade receivables and contract assets:

31 December 2022	Within 6 months RMB'000	7– 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Expected loss rate	0.13%	3.62%	36.94%	0.49%
Gross carrying amount – trade receivables	446,974	91,655	12,535	551,164
Gross carrying amount – contract assets	1,636,674	–	–	1,636,674
Loss allowance	2,675	3,318	4,630	10,623

25. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

(b) Impairment of trade receivables and contract assets (Continued)

31 December 2021	Within 6 months RMB'000	7– 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Expected loss rate	0.50%	2.71%	22.24%	0.90%
Gross carrying amount-trade receivables	330,332	29,980	17,660	377,972
Gross carrying amount-contract assets	750,802	–	–	750,802
Loss allowance	5,391	812	3,928	10,131

The closing loss allowances for trade receivables and contract assets as at 31 December 2022 reconcile to the opening loss allowances as follows:

	Trade receivables and Contract assets	
	31 December 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the year	**10,131**	16,020
Impairment losses recognised/(reversed)	**279**	(5,760)
Exchange realignment	**213**	(129)
At the end of the year	**10,623**	10,131

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Prepayments	**76,801**	61,042
Deposits and other receivables	**293,832**	381,528
Due from fellow subsidiaries	**266,370**	294,370
Due from associates	**109**	–
Due from joint ventures	**1,363**	750
Due from related companies (Note)	**43,900**	57,458
	682,375	795,148
Less: impairment of other receivables (Note 26(a))	**(14,276)**	(9,882)
	668,099	785,266

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

The amounts due from fellow subsidiaries, associates, joint ventures and related companies are unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2022, deposits and other receivables of RMB236,314,000 (31 December 2021: RMB132,895,000) are denominated in USD.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Impairment of other receivables

The movement of the impairment of other receivables during the year is as follows:

	Trade receivables and Contract assets	
	31 December 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the year	**9,882**	38,617
Impairment losses recognised/(reversed)	**4,123**	(28,017)
Impairment losses written off	**(388)**	–
Exchange realignment	**659**	(718)
At the end of the year	**14,276**	9,882

Management makes periodic assessment on a portfolio basis on the recoverability of other receivables based on historical settlement records, past experiences and adjusts for forward looking information in determining the impairment of other receivables.

27. PLEDGED BANK DEPOSITS AND CASH AND BANK

	31 December 2022 RMB'000	31 December 2021 RMB'000
Pledged bank deposits	**778**	767
Balances placed with CS Finance (Note)	**2,041,881**	1,945,059
Unpledged bank balances and cash	**2,196,484**	1,577,556
Cash and cash equivalents	**4,238,365**	3,522,615
Interest receivable	**974**	1,274
Total pledged bank deposits and cash and bank	**4,240,117**	3,524,656

Note:

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

As at 31 December 2022, cash and cash equivalents of RMB2,871,689,000 (31 December 2021: RMB1,902,184,000) are denominated in USD.

28. TRADE AND BILLS PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade and bills payables to third parties	**891,755**	960,141
Trade payables to fellow subsidiaries	**1,016,493**	787,821
Trade payables to an associate	**8,825**	6,259
Trade payables to related companies (Note)	**22,248**	26,323
	1,939,321	1,780,544

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

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

As at 31 December 2022, trade and bills payables of RMB843,056,000 (31 December 2021: RMB879,196,000) are denominated in USD.

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	**1,555,796**	1,547,398
4 – 6 months	**62,160**	58,657
7 – 9 months	**67,007**	37,475
10 – 12 months	**89,181**	9,833
1 – 2 years	**147,707**	112,179
Over 2 years	**17,470**	15,002
	1,939,321	1,780,544

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

29. OTHER PAYABLES AND ACCRUALS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Accruals	**526,545**	468,886
Other payables	**311,658**	210,953
Due to fellow subsidiaries	**141,070**	214,771
Due to a joint venture	**4,120**	3,483
Due to an associate	**12**	1,658
Due to other related companies (Note)	**14,164**	–
Due to the ultimate holding company	**2,434**	4,420
	1,000,003	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 the ultimate holding company, the immediate holding company, fellow subsidiaries, an associate, and other related parties are unsecured, non-interest-bearing and repayable on demand.

Other payables and accruals are non-interest-bearing and are normally settled in 1 to 3 months.

As at 31 December 2022, financial liabilities included in other payables and accruals of RMB246,945,000 (31 December 2021: RMB325,089,000) are denominated in USD.

30. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2022, the Group had interest rate swap agreements with total notional principal amount of approximately USD734,232,000 (equivalent to RMB5,113,632,000) (31 December 2021: approximately USD507,350,000 (equivalent to 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.

For the year ended 31 December 2022, the floating interest rates of the bank borrowings were 3-month LIBOR plus 2.20% and 3-month LIBOR plus 1.40% (31 December 2021: 3-month LIBOR plus 2.20%).

The Group has the following derivative financial instruments:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets		
Interest rate swaps – cash flow hedges	**116,525**	–
Total non-current derivative financial instrument assets	**116,525**	–
Non-current liabilities		
Interest rate swaps – cash flow hedges	**–**	556,105
Total non-current derivative financial instrument liabilities	**–**	556,105

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

	Maturity	31 December 2022 RMB'000	31 December 2021 RMB'000
Current liabilities			
(i) **Bank borrowings**			
Secured	2023	**1,455,208**	1,446,027
Unsecured	2023	**4,457,924**	6,168,409
		5,913,132	7,614,436
(ii) **Other borrowings**			
Unsecured	2023	**1,105,110**	33,000
Interest-bearing bank and other borrowings – current portion		**7,018,242**	7,647,436
Non-current liabilities			
(i) **Bank borrowings**			
Secured	2024 to 2035	**14,116,081**	11,959,656
Unsecured	2024 to 2025	**4,771,273**	637,571
		18,887,354	12,597,227
(ii) **Other borrowings**			
Unsecured	2025 to 2032	**1,859,374**	69,850
Interest-bearing bank and other borrowings – non-current portion		**20,746,728**	12,667,077

As at 31 December 2022, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2021: 45) vessels and 1 (31 December 2021: Nil) vessel under construction with total net carrying amount of RMB23,845,935,000 (31 December 2021: RMB20,561,254,000) and RMB425,436,000 (31 December 2021: Nil) respectively.

As at 31 December 2022, secured bank borrowings of RMB15,090,234,000 (31 December 2021: RMB13,130,514,000) and unsecured bank borrowings of RMB7,381,780,000 (31 December 2021: RMB6,464,953,000) are denominated in USD.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) As at 31 December 2022 and 31 December 2021, the interest-bearing bank and other borrowings were repayable as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
At 31 December 2022			
Current portion			
Within one year	**5,913,132**	**1,105,110**	**7,018,242**
Non-current portion			
In the second year	**2,342,630**	**49,600**	**2,392,230**
In the third to fifth years, inclusive	**7,689,455**	**1,615,974**	**9,305,429**
Over five years	**8,855,269**	**193,800**	**9,049,069**
	18,887,354	**1,859,374**	**20,746,728**
	24,800,486	**2,964,484**	**27,764,970**
At 31 December 2021			
Current portion			
Within one year	7,614,436	33,000	7,647,436
Non-current portion			
In the second year	1,188,535	33,000	1,221,535
In the third to fifth years, inclusive	3,833,361	36,850	3,870,211
Over five years	7,575,331	–	7,575,331
	12,597,227	69,850	12,667,077
	20,211,663	102,850	20,314,513

As at 31 December 2022, included in the current portion of other borrowings represent an amount of RMB nil (31 December 2021: Nil) and RMB nil (31 December 2021: Nil) which was borrowed from the Company's immediate holding company and ultimate holding company respectively.

32. OTHER LOANS

(a) As at 31 December 2022 and 31 December 2021, details of other loans are as follows:

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Kantons International Investment Limited ("**Kantons International**")	(i)	**649,782**	624,226
Mitsui O. S. K. Lines, Ltd. ("**MOL**")	(ii)	**331,616**	316,934
Petrochina International Co., Limited ("**Petrochina International**")	(iii)	**12,324**	13,563
		993,722	954,723
Less: current portion		**(48,678)**	(43,386)
Non-current portion		**945,044**	911,337

Note:

(i) As at 31 December 2022, other loans amounted to RMB34,529,000 (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 31 December 2022, the loan is unsecured, interest-bearing at approximately 2.25% 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 31 December 2022, other loans amounted to RMB615,253,000 (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 31 December 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.

32. OTHER LOANS (Continued)

(a) As at 31 December 2022 and 31 December 2021, details of other loans are as follows: (Continued)

Note: (Continued)

(ii) As at 31 December 2022, other loans were borrowed by the subsidiaries of China Energy from their non-controlling shareholder, MOL, to finance certain vessels construction projects being carried out by them. As at 31 December 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 31 December 2022, other loans were borrowed by North China LNG Shipping Investment Co., Limited ("**NLNG**"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Petrochina International, to finance certain vessels construction projects being carried out by the associates held by NLNG. As at 31 December 2022, the loans are unsecured, interest-bearing at approximately 1.29% 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.

As at 31 December 2022 and 31 December 2021, all other loans are denominated in USD.

(b) As at 31 December 2022 and 31 December 2021, the Group's other loans were repayable as follows:

	31 December 2022	31 December 2021
Current portion		
Within one year	**48,678**	43,386
Non- current portion		
In the second year	**51,201**	44,562
In the third to fifth years, inclusive	**171,239**	148,538
Over five years	**722,604**	718,237
	945,044	911,337
	993,722	954,723

33. BONDS PAYABLE

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the year	**2,538,514**	2,495,824
Interest charge	**88,286**	129,253
Less: principal repayment	**(2,500,000)**	–
Interest repayment	**(126,800)**	(86,563)
	–	2,538,514
Less: current portion	**–**	(2,538,514)
Non-current portion	**–**	–

33. BONDS PAYABLE (Continued)

Details of the balances of corporate bonds are as follows:

Issue date	Term of the bond	Total principal value RMB'000	Book value of bond at initial recognition RMB'000	At 31 December 2021 RMB'000	Repaid principal RMB'000	Repaid interest RMB'000	Interest charge RMB'000	**At 31 December 2022 RMB'000**
3 August 2012	10 years	1,500,000	1,487,100	1,530,495	(1,500,000)	(75,000)	44,505	**–**
29 October 2012	10 years	1,000,000	992,400	1,008,019	(1,000,000)	(51,800)	43,781	**–**
		2,500,000	2,479,500	2,538,514	(2,500,000)	(126,800)	88,286	**–**

The Company issued two batches of corporate bonds on 3 August 2012. The first batch is a three-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 4.20% and was repaid on 3 August 2015. The second batch is a ten-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5% and matured on 3 August 2022. The issuing price was 100 percent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually.

The Company issued further two batches of corporate bonds on 29 October 2012. The first batch is a seven-year corporate bonds with a principal value of RMB1.5 billion, carrying an annual fixed interest rate of 5.05% and matures on 29 October 2019. The issuing price was 100 per cent of principal value, resulting in no discount on the issue. Interest on the bonds is paid annually. The second batch is a ten-year corporate bonds with a principal value of RMB1 billion, carrying an annual fixed interest rate of 5.18% and matured 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.

34. EMPLOYEE BENEFITS PAYABLE

	31 December 2022 RMB'000	31 December 2021 RMB'000
Defined benefit plan payable	**190,429**	193,572
	190,429	193,572
Less: current portion	**(30,521)**	(27,271)
Non-current portion	**159,908**	166,301

(a) Details of defined benefit plan payable are as follows:

Defined benefit plan payable represents post-employment benefit plan for current civil retirees and current retirees which are measured by using actuarial valuation method. Independent actuarial valuation has been carried by an independent firm with chartered actuarial certification.

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Present value of unfunded obligations	**190,429**	193,572
Less: current portion	**(30,521)**	(27,271)
Non-current portion	**159,908**	166,301

Current portion of defined benefit plan payable represents the amount expected to be paid by the Group in the next 12 months.

34. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

(ii) Movements in the present value of the defined benefit plan payable are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the year	**193,572**	187,312
Remeasurement for the year	**(2,560)**	(2,630)
Benefits paid	**(13,248)**	(16,089)
Past service cost	**6,041**	18,570
Interest cost	**6,624**	6,409
At the end of the year	**190,429**	193,572

The weighted average duration of the defined benefit plan is 9.7 (31 December 2021: 10.7) years.

(iii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Past service cost	**6,041**	18,570
Net interest on net defined benefit liability	**6,624**	6,409
Total amounts recognised in profit or loss	**12,665**	24,979
Actuarial gain recognised in other comprehensive income	**(2,560)**	(2,630)
Total defined benefit costs	**10,105**	22,349

The past service cost and the net interest on net defined benefit liability totalling RMB12,665,000 (31 December 2021: RMB24,979,000) were recognised in the other expenses and administrative expenses for the year.

34. EMPLOYEE BENEFITS PAYABLE (Continued)

(a) Details of defined benefit plan payable are as follows: (Continued)

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Discount rate	**3.25% – 3.42%**	3.25% – 3.42%
Average annual increase rate of supplemental medical benefits	**5.00%**	5.00%

Mortality rate adopted for the defined benefit plan payable as at 31 December 2022 was based on the China Life Insurance Mortality Table 2010-2013-CL5/CL6 up 2 years issued by the China Life Insurance Regulatory Commission of the PRC.

The below analysis shows how the defined benefit plan payable would have increased/(decreased) as a result of 0.5% change of discount rate in the significant actuarial assumptions:

	Effect of payable	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Increase in 0.5%	**(5,157)**	(5,664)
Decrease in 0.5%	**5,451**	6,004

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

35. SHARE CAPITAL

(a) Share capital

	2022		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
At the beginning and end of the year	**4,770,776**	**4,770,776**	4,762,692	4,762,692

(b) Share options

The Company operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of the Company held on 17 December 2018, the shareholders of the Company approved the adoption of a share option scheme (the "**2018 Share Option Scheme**"). The purposes of the 2018 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the shareholders, and to establish an interests-sharing and restraining mechanism between the shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2018 Share Option Scheme, the exercise of the options is subject to a two-year vesting period during which a participant is not allowed to exercise any option granted. After the expiration of the two-year period, the participant may exercise the options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively. Within the exercise period of the share options, and subject to the fulfillment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share at relevant exercise price.

The fair value of the share options granted under the 2018 Share Option Scheme as at 27 December 2018, the grant date, was RMB39,006,000 using Black-Scholes valuation model.

35. SHARE CAPITAL (Continued)

(b) Share options (Continued)

Movements of the share options granted by the Company for the year ended 31 December 2022 is set out below:

			For the year ended 31 December 2022 Number of share options							
Category	Note	Exercise price RMB	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2022	Exercisable period
Directors	(i) (ii)	5.74	278,720	-	(137,280)	-	-	-	141,440	28.12.2020–27.12.2025
Continuous Contract employees	(i) (ii)	5.74	17,978,110	-	(7,947,230)	-	-	-	10,030,880	28.12.2020–27.12.2025
			18,256,830	-	(8,084,510))	-	-	-	10,172,320	

Note:

(i) 10,172,320 outstanding options were vested and exercisable as at 31 December 2022.

(ii) The share options were granted on 27 December 2018 under the 2018 Share Option Scheme at an exercise price of RMB6.00. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of seven years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "**Restriction Period**"). Besides, subject to the fulfillment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

35. SHARE CAPITAL (Continued)

(b) Share options (Continued)

(iii) Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2018 was RMB1.1 per option. The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended 31 December 2018 included:

1) Vested options are exercisable for a period of two years after vesting

2) exercise price: RMB6.00

3) grant date: 27 December 2018

4) expiry date: 27 December 2025

5) share price at grant date: RMB4.44

6) expected price volatility of the company's shares: 40.86%

7) expected dividend yield: 0.0%, and

8) risk-free interest rate: 2.87%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

36. RESERVES

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out as follows:

	Share premium	Revaluation reserve	Capital reserve	Other reserve	Statutory reserve	Safety fund reserve	General surplus reserve	FVOCI revaluation on reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	12,096,429	270,254	23,254	2,580,077	2,877,435	1,876	93,158	1,019	9,909,607	27,853,109
Loss for the year	-	-	-	-	-	-	-	-	(2,524,109)	(2,524,109)
Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	(952,538)	(952,538)
Accrual of safety fund reserve	-	-	-	-	-	83,689	-	-	(83,689)	-
Utilisation of safety fund reserve	-	-	-	-	-	(85,530)	-	-	85,530	-
Fair value of share options granted	-	-	4,172	-	-	-	-	-	-	4,172
At 31 December 2021	12,096,429	270,254	27,426	2,580,077	2,877,435	35	93,158	1,019	6,434,801	24,380,634
At 1 January 2022	**12,096,429**	**270,254**	**27,426**	**2,580,077**	**2,877,435**	**35**	**93,158**	**1,019**	**6,434,801**	**24,380,634**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**581,536**	**581,536**
Exercise of share options	**38,321**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38,321**
Accrual of safety fund reserve	**-**	**-**	**-**	**-**	**-**	**63,404**	**-**	**-**	**(63,404)**	**-**
Utilisation of safety fund reserve	**-**	**-**	**-**	**-**	**-**	**(61,944)**	**-**	**-**	**61,944**	**-**
Fair value of share options granted	**-**	**-**	**2,548**	**-**	**-**	**-**	**-**	**-**	**-**	**2,548**
At 31 December 2022	**12,134,750**	**270,254**	**29,974**	**2,580,077**	**2,877,435**	**1,495**	**93,158**	**1,019**	**7,014,877**	**25,003,039**

36. RESERVES (Continued)

(b) The Company (Continued)

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("**PRC GAAP**") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "**SSR**") until the SSR reaches 50% of the registered capital of the Company.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2022, before the proposed final dividend, the Company had reserve of RMB7,354,192,000 (31 December 2021: RMB6,434,801,000).

In addition, in accordance with the Company Law of the PRC, an amount of RMB12,096,429,000 (31 December 2021: RMB12,096,429,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

(c) Nature and purposes of reserves

(i) Share premium

Share premium arised from the issuance of shares at prices in excess of their par value.

(ii) Revaluation reserve

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

(iii) Capital reserve

The reserve arised from the acquisition of additional interests in a subsidiary and revaluation of assets arising from capital restructuring of a subsidiary.

36. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(iv) Merger reserve

The reserve arised from business combination involving entities under common control.

(v) Statutory reserve

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must be before distribution of a dividend to shareholders.

(vi) Safety fund reserve

According to CaiQi [2022] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the year. When its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

(vii) General surplus reserve

When the public welfare fund is utilised, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

36. RESERVES (Continued)

(c) Nature and purposes of reserves (Continued)

(viii) Hedging reserve

Changes in the fair values of derivative financial instruments are to be charged directly and transferred to hedging reserve.

(ix) FVOCI reserve

The FVOCI revaluation reserve comprises the cumulative net change in the fair value of FVOCI held at the end of the year.

(x) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(xi) Other reserve

The reserve arised from the acquisition of subsidiary under common control.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS		
Investment properties	**162,293**	170,421
Property, plant and equipment	**11,099,422**	11,343,145
Right-of-use assets	**8,646,864**	9,878,319
Investments in subsidiaries	**18,552,663**	16,214,663
Investments in associates	**4,202,980**	2,729,523
Investments in a joint venture	**2,727,666**	2,727,666
Loan receivables	**1,253,628**	2,040,224
Other non-current assets	**130,412**	–
	46,775,928	45,103,961
CURRENT ASSETS		
Current portion of loan receivables	**575**	669,449
Inventories	**371,839**	282,218
Contract assets	**376,736**	93,856
Trade and bills receivables	**915,460**	255,513
Prepayments, deposits and other receivables	**2,182,035**	1,938,826
Cash and bank	**971,918**	835,997
	4,818,563	4,075,859
TOTAL ASSETS	**51,594,491**	49,179,820

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT LIABILITIES		
Provision and other liabilities	**2,027**	–
Interest-bearing bank and other borrowings	**2,857,298**	241,409
Employee benefits payable	**52,239**	50,470
Lease liabilities	**8,650,216**	10,017,851
Deferred tax liabilities	**179,533**	184,313
	11,741,313	10,494,043
CURRENT LIABILITIES		
Trade and bills payables	**1,440,332**	545,242
Other payables and accruals	**5,887,823**	4,642,487
Current portion of interest-bearing bank and other borrowings borrowing	**1,353,520**	486,766
Contract liabilities	**4,198**	1,384
Current portion of bonds payable	**–**	2,538,514
Current portion of lease liabilities	**1,368,351**	1,327,919
Taxes payable	**25,139**	139
	10,079,363	9,542,451
TOTAL LIABILITIES	**21,820,676**	20,036,494
EQUITY		
Share capital	**4,770,776**	4,762,692
Reserves	**25,003,039**	24,380,634
TOTAL EQUITY	**29,773,815**	29,143,326

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before tax to net cash generated from operating activities is as follows:

	For the year ended 31 December	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Profit/(loss) before tax	**2,752,847**	(4,527,308)
Adjustments for:		
Finance costs	**993,999**	826,672
Interest income	**(81,140)**	(53,829)
Gain on disposal of property, plant and equipment, net	**(73,945)**	(22,275)
Loss on impairment of property, plant and equipment	**–**	4,567,969
Loss on impairment of right-of-use assets	**–**	393,481
Dividends received from financial assets at FVOCI	**(15,809)**	(13,010)
Provision for/(reversal of) impairment losses on trade receivables and contract assets	**279**	(5,760)
Provision for/(reversal of) impairment losses on other receivables	**4,123**	(28,017)
Depreciation of property, plant and equipment	**2,600,011**	2,551,810
Depreciation of right-of-use assets	**211,073**	279,850
Share of profits of associates	**(317,497)**	(254,727)
Share of profits of joint ventures	**(725,255)**	(714,288)
Operating profit before working capital changes	**5,348,686**	3,000,568
Increase in inventories	**(264,866)**	(153,731)
(Increase)/decrease in trade and bills receivables and contract assets	**(1,058,572)**	187,798
(Increase)/decrease in prepayments	**(15,760)**	13,230
Decrease in deposits and other receivables	**87,696**	126,680
(Increase)/decrease in amounts due from associates	**(109)**	1,725
Increase in amounts due from joint ventures	**(613)**	(269)
Decrease/(increase) in amounts due from fellow subsidiaries	**28,000**	(131,260)
Decrease in amounts due from related companies	**13,559**	34,612
Increase in trade and bills payables and contract liabilities	**248,200**	725,788
Increase/(decrease) in other payables	**100,701**	(258,820)
Increase in accruals	**57,659**	77,180
(Decrease)/increase in amount due to ultimate holding company	**(1,986)**	4,420
(Decrease)/increase in amount due to an associate	**(1,646)**	1,658
Increase in amounts due to joint ventures	**637**	3,483
Increase/(decrease) in amount due to other related parties	**14,168**	(61,427)
Decrease in amounts due to fellow subsidiaries	**(73,701)**	(56,691)
Increase in provision and other liabilities	**3,348**	–
Decrease in employee benefits payable	**(3,143)**	(48,282)
Cash generated from operations	**4,482,258**	3,466,662
Income tax paid	**(352,419)**	(130,709)
Net cash generated from operating activities	**4,129,839**	3,335,953

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Derivative Financial instruments (Note 30) RMB'000	Lease liabilities (Note 16) RMB'000	Interest bearing bank and other borrowings (Note 31) RMB'000	Other loans (Note 32) RMB'000	Bonds payable (Note 33) RMB'000	Total liabilities from financing activities RMB'000
At 31 December 2021 and 1 January 2022	556,105	1,655,380	20,314,513	954,723	2,538,514	26,019,235
Changes from financing cash flows:						
Interest paid	(80,523)	(65,702)	(572,427)	(8,980)	(126,800)	(854,432)
Proceeds from derivative financial instruments	304	-	-	-	-	304
Increase in interest-bearing bank and other borrowings	-	-	14,977,971	-	-	14,977,971
Repayment of interest-bearing bank and other borrowings	-	-	(9,600,923)	-	-	(9,600,923)
Repayment of other loans	-	-	-	(94,867)	-	(94,867)
Repayment of bonds payable	-	-	-	-	(2,500,000)	(2,500,000)
Lease payment	-	(354,435)	-	-	-	(354,435)
	(80,219)	(420,137)	4,804,621	(103,847)	(2,626,800)	1,573,618
Other changes:						
Interest expenses	80,219	65,702	773,058	56,332	88,286	1,063,597
Net change in fair value	(619,172)	-	-	-	-	(619,172)
Currency translation differences	63,067	156,157	1,872,778	86,514	-	2,178,516
	(475,886)	221,859	2,645,836	142,846	88,286	2,622,941
At 31 December 2022	-	1,457,102	27,764,970	993,722	-	30,215,794

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Derivative Financial instruments (Note 30) RMB'000	Lease liabilities (Note 16) RMB'000	Interest bearing bank and other borrowings (Note 31) RMB'000	Other loans (Note 32) RMB'000	Bonds payable (Note 33) RMB'000	Total liabilities from financing activities RMB'000
At 31 December 2020 and 1 January 2021	847,983	2,025,122	20,491,573	1,021,755	2,495,824	26,882,257
Changes from financing cash flows:						
Interest paid	(123,240)	(78,444)	(541,508)	(52,503)	(86,563)	(882,258)
Increase in interest-bearing bank and other borrowings	–	–	7,245,201	–	–	7,245,201
Repayment of interest-bearing bank and other borrowings	–	–	(6,962,033)	–	–	(6,962,033)
Repayment of other loans	–	–	–	(48,198)	–	(48,198)
Lease payment	–	(263,899)	–	–	–	(263,899)
	(123,240)	(342,343)	(258,340)	(100,701)	(86,563)	(911,187)
Other changes:						
Interest expenses	123,240	78,444	424,118	56,503	129,253	811,558
Accrued interest expenses recorded in other payables and accruals	–	–	81,264	–	–	81,264
Net change in fair value	(152,564)	–	–	–	–	(152,564)
Currency translation differences	(139,314)	(105,843)	(424,102)	(22,834)	–	(692,093)
	(168,638)	(27,399)	81,280	33,669	129,253	48,165
At 31 December 2021	556,105	1,655,380	20,314,513	954,723	2,538,514	26,019,235

39. PENSION AND ENTERPRISE ANNUITY SCHEMES

(a) The PRC (other than Hong Kong)

(i) Pension scheme

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent approximately to 16% (2021: 16%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB39,222,000 (2021: RMB34,862,000).

(ii) Enterprise annuity scheme

In 2008, the representatives of the Group's Labor Union and the Board resolved to approve and adopt an enterprise annuity scheme. From 1 February 2018, pursuant to the annuity scheme the employer's contributions will be 8% of the total staff costs of the previous year. The employee's contributions will be 2% of their income from the previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as labor cost in 2022 amounted to RMB34,376,000 (2021: RMB29,699,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the Directors, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(b) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the year amounted to RMB245,000 (2021: RMB212,000).

40. 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. In July 2011, 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**"), whereby 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 RMB57,110,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

40. CONTINGENT LIABILITIES AND GUARANTEE (Continued)

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

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 31 December 2022, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB44,573,000).

(c) Subsequent to the approval by shareholder at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of contract amount of USD377,500,000 (equivalent to approximately RMB2,629,137,000), 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 interests in each of the Three Joint Ventures. As at 31 December 2022, the actual guarantee amount provided by the Company is USD309,043,000, equivalent to approximately RMB2,152,363,000 (31 December 2021: USD324,045,000, equivalent to approximately RMB2,066,013,000).The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(d) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single-vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB33,403,000). The guarantee period is limited to the lease period.

41. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial year of 1 to 20 (31 December 2021: 1 to 20) years.

As at 31 December 2022, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within one year	**1,957,331**	1,478,443
In the second to fifth years, inclusive	**5,515,722**	4,931,511
Over five years	**12,298,327**	12,474,725
	19,771,380	18,884,679

42. CAPITAL COMMITMENTS

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	(i)	**6,972,156**	6,924,783
Equity investments	(ii)	**311,479**	–
		7,283,635	6,924,783

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2023 to 2026.

(ii) Included in capital commitments in respect of equity investments are commitments to invest in a joint venture 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 RMB395,440,000 (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 RMB2,226,710,000 (31 December 2021: RMB2,223,740,000).

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO Shipping Group companies for the interests of the consolidated financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements. Save as disclosed in the "Report of the Directors" part of this annual report, no related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	31 December 2022 RMB'000	31 December 2021 RMB'000
Transactions with fellow subsidiaries and the related entities of COSCO Shipping		
Revenues		
Shipping services and ship charter services	**99,525**	52,739
Rental income, including surcharge	**431**	232
Expenses		
Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc.	**5,007,121**	3,471,271
Electrical, telecommunication, ship repair and technical improvements services etc.	**1,613,237**	1,148,413
Ship and related business insurance and insurance brokerage services	**79,403**	76,769
Ship and shipping agency services	**78,598**	108,909
Management service of sea crew	**2,148,578**	1,891,756
Rental expense	**4,614**	4,241
Miscellaneous services	**60,104**	39,231
Others		
Construction of vessels	**175,601**	537,248
Transactions with joint ventures of the Group		
Revenues		
Interest income from joint ventures	**28,663**	10,959
Transactions with associates of the Group		
Revenues		
Interest income from associates	**42,132**	36,249
Vessel chartering income	**120,790**	113,053

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

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

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2022, particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2022	2021	2022	2021	
Guangzhou Sanding Oil Shipping Co., Ltd.	The PRC/Limited liability company	RMB299,018,000	Ordinary	51%	51%	-	-	Oil transportation and vessel chartering
COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd.	The PRC/Limited liability company	RMB2,602,000,000 (2021: RMB1,764,000,00)	Ordinary	100%	100%	-	-	Investment holding
Offshore Oil (Yangpu) Shipping Co., Ltd.	The PRC/Limited liability company	RMB20,000,000	Ordinary	43%	43%	-	-	Oil transportation and vessel chartering
Huahai Petrol Transportation & Trading Co., Limited	The PRC/Limited liability company	RMB56,879,168	Ordinary	-	-	51%	51%	Oil transportation and vessel chartering
COSCO PetroChina SHIPPING	The PRC/Limited liability company	RMB496,067,600	Ordinary	51%	51%	-	-	Oil transportation and vessel chartering
China Shipping Development (Hong Kong) Marine Co., Limited	Hong Kong/Limited liability company	USD100,000,000	Ordinary	100%	100%	-	-	Investment holding
ELNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	70%	70%	-	-	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and operations/legal status	Issued/registered capital	Class of shares In issue	Proportion of ownership interest held by the Company				Principal activities
				Direct		Indirect		
				2022	2021	**2022**	2021	
NLNG	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**90%**	90%	**-**	-	Investment holding
COSCO SHIPPING Tanker (Singapore) Pte. Ltd.	Singapore/Limited liability company	USD2,000,000	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
COSCO SHIPPING TANKER (Britain) Company Limited	Britain/Limited liability company	USD1,095,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services
China Energy	Hong Kong/Limited liability company	USD5,000,000	Ordinary	**-**	-	**51%**	51%	Investment holding
COSCO SHIPPING Tanker (USA) Company Limited	The United States of America/Limited liability company	USD4,000,000	Ordinary	**80%**	80%	**-**	-	Provision of agency services
COSCO SHIPPING Energy Transportation (Hainan) Co., Ltd.	The PRC/Limited liability company	RMB9,272,152,557	Ordinary	**100%**	100%	**-**	-	Oil transportation and vessel chartering
United Liquefied Gas Shipping (Hong Kong) Co., Limited	Hong Kong/Limited liability company	USD66,000,000	Ordinary	**-**	-	**71%**	71%	Investment holding

The above table lists the subsidiaries which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Directors considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

CORPORATE INFORMATION

Legal name:	中遠海運能源運輸股份有限公司
English name:	COSCO SHIPPING Energy Transportation Co., Ltd.*
Registered address:	Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, The People's Republic of China
Business address:	670 Dongdaming Road, Hongkou District, Shanghai, The People's Republic of China
Postal Code:	200080
Tel:	(8621) 65967678
Place of business in Hong Kong:	RMS 3601-3602, 36/F West Tower, Shun Tak CTR 168-200 Connaught RD Central, Hong Kong
Legal representative:	Ren Yongqiang
Secretary of the Board:	Ni Yidan
Company Secretary:	Ni Yidan
Unified Social Credit Code:	913100001322127340
Principal bankers:	Bank of Communications China Merchants Bank Bank of China Agriculture Bank of China The Industrial and Commercial Bank of China China Construction Bank
Hong Kong auditor:	PricewaterhouseCoopers Certified Public Accountants and Registered PIE Auditor* 22/F, Prince's Building, Central, Hong Kong

PRC auditor:	ShineWing Certified Public Accountants LLP Fuhua Mansion, North AVE #8 Chaoyangmen, Dongcheng District, Beijing, the PRC
Legal advisors:	Grandall Law Firm (Shanghai Office) 23-25th floor, Garden Square 968 West Beijing Road, Shanghai, The People's Republic of China Paul Hastings 22/F Bank of China Tower, 1 Garden Road, Central, Hong Kong
H share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Place of listing:	H shares The Stock Exchange of Hong Kong Limited Share code: 01138 A shares Shanghai Stock Exchange Share code: 600026
Corporate information is available at	Office of the Board of Directors COSCO SHIPPING Energy Transportation Co., Ltd. 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, The People's Republic of China
Company's website:	http://energy.coscoshipping.com

* For identification purposes only

Ren Yongqiang

Mr. Ren Yongqiang, born in December 1973, holds a doctoral degree in political economy. He is currently the Secretary of the Party Committee, an executive director, the chairman, the chairman of the Strategy Committee and a member of the Risk Control Committee of the Company. Mr. Ren served in the Transport Department of Tibet Autonomous Region, the Trading Department of Tibet Autonomous Region, the Ministry of Internal Trade, the Bureau of Internal Trade, the State Economic and Trade Commission, the State-owned Assets Supervision and Administration Commission of the State Council, China Shipping Group Company Limited and China COSCO SHIPPING Corporation Limited.

Zhu Maijin

Mr. Zhu Maijin, born in October 1970, holds a master's degree in management and is a senior captain. Mr. Zhu is currently an executive director, a member of the Strategy Committee and the President of the Company. Mr. Zhu served as the deputy general manager (acting general manager), the general manager of the maritime management department and the assistant to general manager of China Shipping Development Co., Ltd. Tanker Company, the vice general manager of China Shipping Tanker Company Limited and the general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Wang Wei

Mr. Wang Wei, born in June 1971, holds a master's degree in engineering. He is currently a non-executive director and a member of the Strategy Committee of the Company, a director of each of COSCO SHIPPING Speciallized Carriers Co., Ltd. (stock code: 601428.SH), COSCO SHIPPING Bulk Co., Ltd. and COSCO SHIPPING (North America) Co., Ltd., and a supervisor of COSCO SHIPPING Logistics Co., Ltd. He previously held various positions at China Ocean Shipping (Group) Company Limited and its subsidiaries. He was the head of organization department of China Ocean Shipping (Group) Company Limited and vice general manager of COSCO SHIPPING (Hong Kong) Co., Ltd. He also served as vice general manager of COSCO SHIPPING International (Hong Kong) Co., Ltd. (stock code: 00517.HK) from April 2018 to April 2022.

Wang Songwen

Ms. Wang Songwen, born in July 1969, holds a bachelor's degree in medicine and is a senior economist. She is currently a non-executive director and a member of the Strategy Committee of the Company, a director of COSCO SHIPPING (Korea) Co., Ltd.. She used to work at China Shipping (Group) Company (now known as China Shipping Group Company Limited) and its subsidiaries. She has successively served as the general manager of container management department, transshipment department, marketing department III and Asia Pacific department of China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd., Stock Code: 601866.SH and 02866.HK); the vice president of operations management department of China Shipping (Group) Company; and vice president of China Shipping (Europe) Co., Ltd.. She also has served as the vice president of COSCO SHIPPING (Europe) GmbH from June 2016 to May 2022.

Victor Huang

Mr. Victor Huang, born in May 1971, holds a bachelor's degree in economics and is a Hong Kong Institute of Certified Public Accountants member. He is currently an independent non-executive Director, the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration and Appraisal Committee of the Company. He serves as an independent non-executive director to Manpower Group Greater China Limited (stock code: 02180.HK), Scholar Education Group (stock code: 01769.HK), Topsports International Holdings Limited (stock code: 06110.HK), LBX Pharmacy Chain Co., Ltd. (stock code: 603883.SH), Qingdao Haier Biomedical Co., Ltd. (stock code: 688139.SH), Newtimes Energy (stock code:00166.HK) and Shandong Hi-Speed New Energy Group Limited (stock code: 01250.HK). Mr. Huang had been a former partner of PricewaterhouseCoopers and KPMG. He served as an independent non-executive director to Trinity Limited (stock code: 00891.HK) from December 2018 to December 2020 and to China Bright Culture Group (stock code: 01859.HK) from February 2020 to November 2020 and to Evergrande Property Services Group Limited (stock code: 06666.HK) from November 2020 to November 2021.

Li Runsheng

Mr. Li Runsheng, born in June 1952, holds a master's degree in public administration and is a professor-level senior economist. He is currently an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee and the Nomination Committee of the Company. He serves as an independent non- executive director of Lihuayi Weiyuan Chemical Co., Ltd (stock code: 600955.SH). Mr. Li had been the director of the policy and regulation department of the former State Bureau of Petroleum and Chemical Industry, the party secretary and the deputy general manager of China Petroleum Refining and Sales Company, the director of the general office, assistant to the general manager and deputy director of the consulting center of China National Petroleum Corporation, and a vice chairman, deputy party secretary and the director to the Expert Committee of China Petroleum and Chemical Industry Federation. He served as an independent non-executive director to China Aviation Oil (Singapore) Corporation Limited (stock code: G92.SI) from April 2014 to September 2021.

Zhao Jinsong

Mr. Zhao Jinsong, born in November 1963, holds a doctorate degree in engineering and is a lawyer, maritime arbitrator. He is currently an independent non-executive Director, the chairman of the Risk Control Committee, a member of the Strategy Committee and the Audit Committee of the Company. He serves as a professor to the Research Institute at School of Ocean Engineering of Harbin Institute of Technology, Shenzhen, the director to Shenzhen branch center of National Engineering Research Center for Ship Navigation System of Dalian Maritime University, the president of Sanya Cruise Yacht Research Institute and the president of the Finance Research Institute of Shipping and Trade (Shibei District, Qingdao). Mr. Zhao had been an ocean freighter pilot, and worked in maritime law firms Hill Taylor Dickson and Holman Fenwick Willan in the United Kingdom and Lawrence K. Y. Lo & Co. in Hong Kong for many years. He was a professor of maritime law at Koguan School of Law and professor of international maritime transportation at School of Naval Architecture, Ocean & Civil Engineering, Shanghai Jiao Tong University, the dean and a professor of the International Shipping Law School of East China University of Political Science and Law, the president of Qianhai Shengang Institute of International Finance (Shenzhen) Co., Ltd and senior partner and lawyer to Allbright Law Offices (Shanghai). Mr. Zhao had been a visiting professor to many universities at home and abroad, a director of the law center of China Shipowners' Association, a director of China Shipbuilding Industry Fund Management Agency and a legal advisor of China Classification Society.

Wang Zuwen

Mr. Wang Zuwen, born in November 1955, holds a doctorate degree in engineering. He is currently an independent non-executive Director, the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee, the Audit Committee and the Risk Control Committee of the Company, and an independent director of each of Jinzhou Port Company Limited (stock code: 600190.SH) and Machinery industry Ninth Design Institute Co. Ltd. Mr. Wang had successively been an associate professor, a professor, a doctoral advisor and a vice chancellor of Harbin Institute of Technology and a professor and the chancellor of Dalian Maritime University.

Weng Yi

Mr. Weng Yi, born in July 1967, holds a master's degree in management, and is a senior captain and a professor-level senior engineer. He is currently the chairman of Supervisor Committee of the Company, the safety director and general manager of the safety supervision division of China COSCO Shipping Corporation Limited, the chairman of the Supervisor Committee of COSCO SHIPPING Bulk Co., Ltd., and the director of COSCO SHIPPING Ferry Co., Ltd. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., the deputy chief of the sailing department and the deputy chief of the shipping department of China Shipping Development Co., Ltd. Tramp Co., the deputy director of the shipping department of China Shipping Group Company Limited, the general manager of Zhuhai New Century Shipping Company Limited, the deputy general manager of China Shipping Development Co., Ltd. Tramp Co., the general manager of the shipping department and the general manager of the operation department of China Shipping Group Company Limited and a chief captain of China Shipping Group Company Limited.

Yang Lei

Mr. Yang Lei, born in December 1971, holds a bachelor's degree in law and is a senior economist. He is now a supervisor of the Company and the deputy general manager of Legal and Risk Management Department of China COSCO Shipping Corporation Limited. Mr. Yang served as the deputy general manager of Strategic Development Department of COSCO Container Lines Co., Ltd. and the deputy general manager of Legal and Risk Management Department of China Ocean Shipping (Group) Company.

Xu Yifei

Mr. Xu Yifei, born in November 1965, holds a bachelor's degree in engineering and is a marine captain and senior engineer. He is currently the chairman of the labor union of the Company and a supervisor of the Company as a representative of employees. Mr. Xu Yifei served as a ship's chief officer of Shanghai Hai Xing Shipping Company Limited, a ship's marine captain of China Shipping International Ship Management Co., Ltd., the deputy chief of the maritime management department, the section chief and the deputy general manager of vessel administration department, the department head of human resources department and the chairman of labor union of China Shipping Tanker Company Limited.

Zeng Xiangfeng

Mr. Zeng Xiangfeng, born in January 1977, holds a bachelor's degree in law and is a senior political engineer. He is currently the chief of the Party Committee Work Department and an employee representative supervisor of the Company. Mr. Zeng served at the Party Committee Office of the China Shipping (Group) Company, the Party Committee Work Department and the Directors' Office/General Manager Office of China Shipping Tanker Company Limited. He used to serve as the chief of the General Manager Office, the chief of the Legal Affairs and Risk Management Department and the chief of Disciplinary Committee Work Department/Supervision and Audit Department of the Company.

Zhu Maijin

Mr. Zhu Maijin, born in October 1970, holds a master's degree in management and is a senior captain. Mr. Zhu is currently an executive director, a member of the Strategy Committee and the President of the Company. Mr. Zhu served as the deputy general manager (acting general manager), the general manager of the maritime management department and the assistant to general manager of China Shipping Development Co., Ltd. Tanker Company, the vice general manager of China Shipping Tanker Company Limited and the general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Li Zhuoqiong

Ms. Li Zhuoqiong, born in October 1973, holds a master's degree in law and is also a senior economic engineer. She is currently the Chief Law Officer of the Company. Ms. Li was the general manager of Strategic Development Department of Dalian Ocean Shipping Company, and was the general manager of Strategy and Enterprise Management Department, the Secretary of the Board and a deputy general manager of the Company.

Qin Jiong

Mr. Qin Jiong, born in September 1968, is a marine captain. He is currently a vice president of the Company. Mr. Qin was formerly a marine captain of Shanghai Maritime Bureau, the deputy general manager of Container Transport Division I and the director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, the deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., the general manager of the Operation Management Department of China Shipping Group Company Limited.

Luo Yuming

Mr. Luo Yuming, born in December 1967, holds a bachelor's degree in engineering and is a senior engineer. He is currently a vice president of the Company. Mr. Luo served as a captain of oil tankers, the head of maritime section, the assistant to general manager and the deputy general manager of China Shipping Development Company Limited Tanker Company — (Guangzhou Branch), the director of the vessel administration department and the general manager of the shipping department of China Shipping Development Co., Ltd. Tanker Company and the vice general manager of China Shipping Tanker Company Limited.

Yu Bozheng

Mr. Yu Bozheng, born in August 1964, holds a bachelor's degree in engineering and is an senior chief engineer. He is currently a vice president of the Company. Mr. Yu served as the deputy general manager, the general manager of the maritime management department of China Shipping Development Co., Ltd. Tanker Company, the assistant to general manager, the vice general manager of China Shipping Tanker Company Limited and the vice general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Tian Chao

Mr. Tian Chao, born in May 1977, holds a doctorate degree in accounting and financial management and is a senior accountant, senior economic engineer, a certified public accountant of China, an Association of Chartered Certified Accountants (ACCA) member and a Chartered Institute of Management Accountants (ACMA) member. He is currently the Chief Financial Officer of the Company, and has been the financial officer of the financial department of China Ocean Shipping (Group) Company, director and general manager of the financial department of Port Of Antwerp Co., Ltd., general manager of the financial department of COSCO SHIPPING (Europe) GmbH, as well as assistant to the president and general manager of the financial department of Piraeus Port Authority S.A.

Chen Jianrong

Mr. Chen Jianrong, born in November 1969, holds a bachelor's degree in engineering and is a senior captain. He is currently a vice president of the Company. Mr. Chen used to serve as the deputy chief of the Ship Management Department of China Shipping Development Co., Ltd. Tanker Company and China Shipping Tanker Company Limited, the chief of the Ship Management Department of China Shipping Tanker Company Limited, the chief of the Safety Supervision Department and the chief of the Ship Management Unit of the Company.

Ni Yidan

Ms. Ni Yidan, born in February 1985, holds a bachelor's degree in management, a senior economic engineer and a member of The Hong Kong Chartered Governance Institute. She is currently the Secretary of the Board of the Company and the Company Secretary. Ms. Ni was the manager assistant of the commercial division of production and operation department of China Shipping Development Co., Ltd. Tanker Company, deputy general of the public relations division and assistant director of the Board/Managing Director's Office, vice director (acting director) of Office of Board and manager of public relations division of the Company.

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