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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or otherwise transferred** all your shares in **COSCO SHIPPING Energy Transportation Co., Ltd.\***, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.\***  
**中遠海運能源運輸股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 1138)

**(1) MAJOR TRANSACTIONS AND  
CONTINUING CONNECTED TRANSACTIONS**  
**(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR  
AND SUPERVISOR**  
**(3) PROPOSED CHANGE OF OVERSEAS AUDITOR  
AND**  
**(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



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Capitalized terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 38 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 39 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 66 of this circular. A notice convening the EGM on Monday, 30 December 2024 at 10:00 a.m. at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (i) in case of H Shareholders, to the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (ii) in case of A Shareholders, to the Office of the Board of Directors of the Company at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (Stock Code: 600026)
“A Shareholder(s)”	holder(s) of the A Share(s)
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會)
“China Shipping”	China Shipping Group Company Limited* (中國海運集團有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of COSCO SHIPPING and a controlling shareholder of the Company
“Company”	COSCO SHIPPING Energy Transportation Co., Ltd.* (中遠海運能源運輸股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1138) and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600026)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Finance”	COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司), a company established under the laws of the PRC with limited liability, which is an indirect non-wholly owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries (excluding the Group)

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## DEFINITIONS

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“Crew Services”	the crew services under the Existing Sea Crew Framework Agreement and the 2024 Sea Crew Framework Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Monday, 30 December 2024 at 10:00 a.m. at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People’s Republic of China to consider and if thought fit, approve (i) the 2024 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder; (ii) the proposed appointment of non-executive Director and Supervisor; and (iii) the proposed change of overseas auditor
“Existing Financial Services Framework Agreement”	the financial services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to the provision and receipt of financial services and the revised terms of which are set out in the section headed “Background Information – In respect of the 2024 Financial Services Framework Agreement”
“Existing Framework Agreements”	the Existing Financial Services Framework Agreement, the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement, the Existing Services Framework Agreement, the Existing Lease Framework Agreement, and the Existing Trademark License Agreement
“Existing Lease Framework Agreement”	the property lease framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of property and land use right leasing services
“Existing Sea Crew Framework Agreement”	the sea crew framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to receipt of sea crew services
“Existing Services Framework Agreement”	the services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to receipt of certain services
“Existing Shipping Materials and Services Framework Agreement”	the shipping materials and services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of shipping materials and services

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## DEFINITIONS

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“Existing Trademark License Agreement”	the trademark license agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING upon terms and conditions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	H share(s) of par value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange (Stock Code: 1138)
“H Shareholder(s)”	holder(s) of the H Share(s) of the Company
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen, which has been formed to advise the Independent Shareholders in respect of the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder
“Independent Financial Adviser”	Goldlink Capital (Corporate Finance) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder
“Independent Shareholder(s)”	the Shareholders other than COSCO SHIPPING, China Shipping and their respective associates

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## DEFINITIONS

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“independent third party(ies)”	individual(s) or company(ies) and their respective beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Latest Practicable Date”	4 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Leasing Services”	the leasing services under the Existing Leasing Framework Agreement and the 2024 Leasing Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Miscellaneous Services”	the miscellaneous services under the Existing Services Framework Agreement and the 2024 Services Framework Agreement
“NFRA”	National Financial Regulatory Administration (國家金融監督管理總局)
“PBC”	the People’s Bank of China (中國人民銀行)
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented, or otherwise modified from time to time)
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks in Shanghai Stock Exchange
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shipping Materials and Services”	the shipping materials and services under the Existing Shipping Materials and Services Framework Agreement and the 2024 Vessel Services Framework Agreement
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“Supervisor(s)”	supervisor(s) of the Company
“2024 Financial Services Framework Agreement”	the financial services framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING Finance in relation to supply and receipt of financial services
“2024 Framework Agreements”	the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement, the 2024 Services Framework Agreement, the 2024 Lease Framework Agreement, and the 2024 Trademark License Agreement
“2024 Lease Framework Agreement”	the property lease framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to the supply and receipt of property and land use right leasing services
“2024 Sea Crew Framework Agreement”	the sea crew framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to receipt of sea crew services
“2024 Services Framework Agreement”	the services framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to receipt of certain services
“2024 Trademark License Agreement”	the trademark license agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING upon terms and conditions
“2024 Vessel Services Framework Agreement”	the vessel services framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of Shipping Materials and Services
“%”	per cent

\* *For identification purposes only*



**COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.\***  
**中遠海運能源運輸股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1138)**

*Executive Directors:*

Ren Yongqiang (*Chairman*)  
Zhu Maijin (*President*)

*Non-executive Directors:*

Wang Wei  
Wang Songwen

*Independent non-executive Directors:*

Victor Huang  
Li Runsheng  
Zhao Jinsong  
Wang Zuwen

*Registered Office:*

Room A-1015  
No.188 Ye Sheng Road  
China (Shanghai) Pilot Free Trade Zone  
Lingang Special Area  
PRC

*Principal place of business in the PRC:*

7th Floor, 670 Dongdaming Road  
Hongkou District, Shanghai, PRC

*Principal place of business in Hong Kong:*

Rooms 3601-3602  
36/F West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

10 December 2024

*To the Shareholders*

Dear Sir/Madam,

**(1) MAJOR TRANSACTIONS AND  
CONTINUING CONNECTED TRANSACTIONS  
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR  
AND SUPERVISOR  
(3) PROPOSED CHANGE OF OVERSEAS AUDITOR  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

The purpose of this circular is to provide you with, among other things, (i) further details of (a) the 2024 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps;

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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(b) the proposed appointment of non-executive Director and Supervisor; and (c) the proposed change of overseas auditor; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder; (iv) the notice of convening the EGM; and (v) other information as required under the Listing Rules.

## II. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

### BACKGROUND INFORMATION

References are made to the announcements of the Company dated 12 November 2021 and 28 December 2021 and the circular of the Company dated 7 December 2021, in connection with, among other things, (i) the Existing Financial Services Framework Agreement, (ii) the Existing Shipping Materials and Services Framework Agreement, (iii) the Existing Sea Crew Framework Agreement, (iv) the Existing Services Framework Agreement, (v) the Existing Lease Framework Agreement and (vi) the Existing Trademark License Agreement. Reference is also made to the overseas regulatory announcement of the Company dated 30 May 2024 in relation to the supplemental agreement to the Existing Financial Services Framework Agreement entered into by the Company and COSCO SHIPPING Finance.

#### **In respect of the 2024 Financial Services Framework Agreement**

Pursuant to the Existing Financial Services Framework Agreement, COSCO SHIPPING Finance may provide the Group with a range of financial services including (i) deposit services, (ii) loan services, (iii) clearing services, (iv) foreign exchange services, and (v) other financial services as approved by CBIRC. On 30 May 2024, COSCO SHIPPING Finance and the Company entered into a supplemental agreement to increase the loan facility provided to the Group pursuant to the Existing Financial Services Framework Agreement from 30 May 2024 to 31 December 2024 by RMB3,000,000,000. The interest rate shall not be higher than (i) the relevant rates stipulated by the PBC for similar type of loans; and (ii) 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). The term of the Existing Financial Services Framework Agreement will expire on 31 December 2024.

On 30 October 2024 (after trading hours), the Company and COSCO SHIPPING Finance entered into the 2024 Financial Services Framework Agreement, pursuant to which COSCO SHIPPING Finance, a company controlled by COSCO SHIPPING, shall provide the Group and/or the associates of the Company with similar services under the Existing Financial Services Framework Agreement for the three years ending 31 December 2027.

#### **In respect of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement**

Pursuant to the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement, (i) the

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## LETTER FROM THE BOARD

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Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services; and (ii) COSCO SHIPPING (and/or the associates of COSCO SHIPPING) will provide to the Group with the Crew Services and the Miscellaneous Services. The terms of each of the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement will expire on 31 December 2024.

On 30 October 2024 (after trading hours), the Company and COSCO SHIPPING entered into (i) the 2024 Vessel Services Framework Agreement, pursuant to which the Company and COSCO SHIPPING will provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, (ii) the 2024 Sea Crew Framework Agreement, pursuant to which COSCO SHIPPING (and/or the associates of COSCO SHIPPING) will provide to the Group and/or the associates of the Company with the Crew Services, and (iii) the 2024 Services Framework Agreement, pursuant to which COSCO SHIPPING (and/or the associates of COSCO SHIPPING) will provide the Group and/or the associates of the Company with the Miscellaneous Services. The terms of each of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement, and the 2024 Services Framework Agreement will expire on 31 December 2027.

### **In respect of the 2024 Lease Framework Agreement**

Pursuant to the Existing Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Leasing Services. The term of the Existing Lease Framework Agreement will expire on 31 December 2024.

On 30 October 2024 (after trading hours), the Company and COSCO SHIPPING entered into the 2024 Lease Framework Agreement, pursuant to which the Company and COSCO SHIPPING will provide each other's group (and/or the associates of COSCO SHIPPING) with the Leasing Services for the three years ending 31 December 2027.

### **In respect of the 2024 Trademark License Agreement**

Pursuant to the Existing Trademark License Agreement, COSCO SHIPPING granted the non-exclusive license to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING. The term of the Existing Trademark License Agreement will expire on 31 December 2024.

On 30 October 2024 (after trading hours), the Company and COSCO SHIPPING entered into the 2024 Trademark License Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive license to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for the three years ending 31 December 2027.

### **2024 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Date:	30 October 2024 (after trading hours)
Parties:	COSCO SHIPPING Finance (as provider of services)
	The Company (as recipient of services)

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## LETTER FROM THE BOARD

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### **The Financial Services to be Provided**

Pursuant to the 2024 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) clearing services, (iv) foreign exchange services, and (v) other financial services as approved by NFRA.

### **Pricing Policy**

Under the 2024 Financial Services Framework Agreement:

- (a) COSCO SHIPPING Finance may accept deposits from the Group or the associates of the Company at interest rates not lower, and thus no less favorable, than 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 (i) the market interest rates and (ii) the interest rates offered by COSCO SHIPPING Finance to other companies of the COSCO SHIPPING Group for the similar type of deposits;
- (b) COSCO SHIPPING Finance may provide loans to the Group or the associates of the Company at interest rates not higher than 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, in determining the interest rates, COSCO SHIPPING Finance should also make reference to (i) the market interest rates and (ii) the interest rates offered by COSCO SHIPPING Finance to other companies of the COSCO SHIPPING Group for similar type of loans;
- (c) COSCO SHIPPING Finance will not charge the Group or the associates of the Company any fees for the provision of clearing services for the time being; and
- (d) The fees charged by COSCO SHIPPING Finance for the provision of foreign exchange services and other financial services shall be (i) in accordance with the requirements stipulated by the PBC or NFRA or its despatched agencies for similar type of financial services (if applicable); (ii) not higher than the fees charged by independent third party commercial banks for similar type of services to the Group and the associates of the Company; and (iii) not higher than the fees charged by COSCO SHIPPING Finance for similar type of services to independent third parties with the same credit rating.

### **Internal Control Measures**

To ensure sufficient protection of the Shareholders' interest, the Company will adopt, including but not limited to, the following internal control procedures in connection with its utilization of the financial services provided by COSCO SHIPPING Finance:

- (a) Before the Group places any deposits which has a term of three months or more, enters into any loan agreements or any financial services agreements with COSCO SHIPPING Finance, the Company will obtain at least three quotations from independent financial institutions for similar type of services (for instance, in respect of loan services, a loan of the same duration or the same nature);

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## LETTER FROM THE BOARD

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- (b) In respect of services with transaction amounts less than RMB1 million, quotations of such services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review and approval;
- (c) In respect of services with transaction amounts equal to or more than RMB1 million, quotations of such services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review. The chief financial officer of the Company will then seek approval from the general manager of the Company or the Board, as appropriate, on whether to accept COSCO SHIPPING Finance's offer;
- (d) All borrowings from COSCO SHIPPING Finance will be conducted in accordance with the terms approved by the chief financial officer, the general manager or the Board, as appropriate;
- (e) The Company will report to the independent non-executive Directors every six months on:
  - (i) the loan or credit facilities agreements entered into with COSCO SHIPPING Finance together with information on the comparable quotations obtained from the independent commercial banks; and
  - (ii) any changes in the credit ratings of COSCO SHIPPING Finance during the preceding six-month period; and
- (f) The Company will monitor the status of the deposits on a monthly basis through the internet banking services provided by COSCO SHIPPING Finance.

To manage the risks of the Group in utilizing the financial services provided by COSCO SHIPPING Finance, the 2024 Financial Services Framework Agreement requires COSCO SHIPPING Finance:

- (a) To take appropriate measures to ensure the security of its information technology system is secured with security level commensurate with other commercial banks;
- (b) To comply with management and supervision protocols and guidelines promulgated by the NFRA and the relevant laws and regulations;
- (c) To provide the Company with a copy of every regulatory report submitted by COSCO SHIPPING Finance to NFRA;
- (d) To provide the Company with a copy of the monthly financial statements of COSCO SHIPPING Finance in the following month; and
- (e) To inform the Company of any material adverse event and to take appropriate measures to prevent the occurrence or to minimize the impact of the material adverse event.

## LETTER FROM THE BOARD

### Historical transaction amounts and existing annual caps

The table below sets forth the historical transaction amounts and existing annual caps of the financial services provided by COSCO SHIPPING Finance to the Company and its subsidiaries for the three years ending 31 December 2024 under the Existing Financial Services Framework Agreement:

	For the year ended 31 December 2022			For the year ended 31 December 2023			For the year ending 31 December 2024		
	Annual cap	Actual amount (audited) (RMB'000)	Utilisation rate (%)	Annual cap	Actual amount (audited) (RMB'000)	Utilisation rate (%)	Annual cap	Actual amount up to 30 September 2024 (unaudited) (RMB'000)	Utilisation rate <sup>Note 3</sup> (%)
<b>Deposit Services</b>									
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance <sup>Note 1</sup>	9,000,000	3,669,021	40.77	9,000,000	3,928,572	43.65	9,000,000	3,934,619	43.72
<b>Loan Services</b>									
Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance <sup>Note 2</sup>	3,000,000	2,926,681	97.56	3,000,000	2,966,927	98.90	6,000,000	3,334,070	63.69

*Notes:*

- The aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance represents the sum of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance during the relevant year, but such maximum daily outstanding balance of deposits with COSCO SHIPPING Finance has fallen on a different date.
- The aggregate maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance to the Group represents the sum of the maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance to the Group during the relevant year, but such maximum daily outstanding balance of loans by COSCO SHIPPING Finance has fallen on a different date.
- The utilisation rates for the transactions under the Existing Financial Services Framework Agreement as of 30 September 2024 are based on (i) the highest daily outstanding balance of deposit (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance for deposit services for the nine months ended 30 September 2024 and (ii) the maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance for loan services for the nine months ended 30 September 2024. They are for illustration purposes only and do not represent the actual transaction amounts for the year ending 31 December 2024.

As far as the Directors are aware, the annual caps for the year ending 31 December 2024 under the Existing Financial Services Framework Agreement had not been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Annual Caps

The annual caps for the three years ending 31 December 2027 for the below continuing connected transactions under the 2024 Financial Services Framework Agreement are as follows:

	For the year ending 31 December 2025 (RMB'000)	For the year ending 31 December 2026 (RMB'000)	For the year ending 31 December 2027 (RMB'000)
<b>Deposit Services</b>			
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance <sup>Note 1</sup>	14,000,000	14,000,000	14,000,000
<b>Loan Services</b>			
Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance <sup>Note 2</sup>	16,000,000	16,000,000	16,000,000

*Notes:*

1. The aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance represents the sum of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance during the relevant year, but such maximum daily outstanding balance of deposits with COSCO SHIPPING Finance has fallen on a different date.
2. The aggregate maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance to the Group represents the sum of the maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance to the Group during the relevant year, but such maximum daily outstanding balance of loans by COSCO SHIPPING Finance has fallen on a different date.

In arriving at such annual caps, the Directors have considered the following factors:

- (a) the historical figures of the aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance for the two years ended 31 December 2023 and the nine months ended 30 September 2024;
- (b) the historical figures of the aggregate maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance to the Group for the two years ended 31 December 2023 and the nine months ended 30 September 2024;
- (c) the Group's expectation of its capital needs for the period from now up to 31 December 2027; and
- (d) COSCO SHIPPING Finance's financial ability.

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## LETTER FROM THE BOARD

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The increase in the proposed annual caps for the maximum daily outstanding balance of deposits placed by the Group with COSCO SHIPPING Finance for the three years ending 31 December 2027 under the 2024 Financial Services Framework Agreement from the annual caps for the three years ending 31 December 2024 under the Existing Financial Services Framework Agreement is due to the potential growth in business operations as well as the financing needs for the coming three years, which may boost the demand on the deposit services by the Group. Firstly, the Group expects to further expand its business operations given the optimistic outlook on the oil and LNG demand worldwide in the coming years. According to OPEC, oil demand will grow from 102.2 million barrel per day in 2023 to 109.6 million barrel per day in 2027. The current global LNG production capacity is about 485.3 million tons/year, and it is expected to reach nearly 826.4 million tons/year in 2029, with an average compound annual growth rate of approximately 11%. There is also an increase in the number of long-distance LNG trading projects which in turn will also benefit the LNG shipping market. Secondly, the Company has entered several contracts in relation to the construction of vessels to replace old vessels. The settlement of the new vessels along with the disposal of the old vessels may also boost the demand of the deposit services. Thirdly, given the expected increase in business operations in the coming three years, the demand on working capital and hence the fund raised from the borrowings may also increase which in turn may boost the demand of the deposit services.

In relation to the proposed annual caps for the maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance for the three years ending 31 December 2027 under the 2024 Financial Services Framework Agreement, except those discussed in the foregoing paragraph, it is expected that the Group will expand its business in light of the growth in oil and LNG market. The Group is expected to incur a higher capital expenditure to support its business development, which will in turn increase the demand for loans to be obtained by the Group. In considering COSCO SHIPPING Finance's financial ability in the provision of the financial services, the Board has checked the continuing validity of COSCO SHIPPING Finance's license issued by NFRA and considered a report prepared by COSCO SHIPPING Finance based on the relevant financial statements and the strategy and development plans of COSCO SHIPPING Finance.

### **Payment Terms**

The payment terms are dependent on the type of financial services to be provided and are determined at the time when such financial services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of financial services.

### **Term**

Subject to the approval being obtained from the Independent Shareholders, the 2024 Financial Services Framework Agreement will be effective from 1 January 2025 to 31 December 2027. Subject to compliance with the Listing Rules, the 2024 Financial Services Framework Agreement may be renewed for another three years from 1 January 2028 upon written agreement by both parties.

### **Reasons for and benefits of entering into the 2024 Financial Services Framework Agreement**

The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business.

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## LETTER FROM THE BOARD

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As the global macro environment is getting more uncertain, sufficient cash reserves will help enhance the Group's ability to withstand risk and counter cyclical fluctuations and help the Group to capture potential opportunities in the industry and achieve high quality and sustainable development. The services including deposit services under the 2024 Financial Services Framework Agreement will serve the strategic development goals of the Company, manage the funds, and give full play to the value of the funds.

The Group has been maintaining deposits with COSCO SHIPPING Finance since 2010. The Directors believe that COSCO SHIPPING Finance, as an inter-group service provider, generally maintains better and more effective communication with the Group than other independent banks and financial institutions, and the availability of deposit services from COSCO SHIPPING Finance during the three years ending 31 December 2027 could enable the Group to obtain funds at a reasonable cost and reduce its working capital risks. The terms and conditions provided by COSCO SHIPPING Finance under the 2024 Financial Services Framework Agreement are no less favorable to the Group than those provided by independent third parties.

Furthermore, the Group is not restricted under the 2024 Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be based on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's services if the service quality provided continues to be competitive. Having such flexibility afforded under the 2024 Financial Services Framework Agreement, the Group is able to better manage its current capital and cashflow position. In addition, it is also expected that COSCO SHIPPING Finance will provide more efficient foreign exchange and clearing services to the Group, as compared to independent third party banks.

Further considering that (i) COSCO SHIPPING Finance is a company controlled by COSCO SHIPPING, which is a wholly state-owned enterprise; and (ii) the Company and COSCO SHIPPING Finance will adopt the internal control measures referred to in the paragraph headed "The 2024 Financial Services Framework Agreement – Internal Control Measures", the Group expects that it would not be exposed to high credit risks for depositing with COSCO SHIPPING Finance.

As at the Latest Practicable Date, the Company held 10.9145% of the equity interest in COSCO SHIPPING Finance and was the fourth largest shareholder of COSCO SHIPPING Finance. Therefore, the Company could participate in the decision-making process of COSCO SHIPPING Finance while receiving the economic benefits brought by the improvement of the financial services provided by COSCO SHIPPING Finance. By having a certain degree of influence in the operation of COSCO SHIPPING Finance, it is believed that COSCO SHIPPING Finance could better serve the development of the Group.

In light of the above circumstances, the Directors consider the terms of the 2024 Financial Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Guarantee Letter from COSCO SHIPPING

In respect of the 2024 Financial Services Framework Agreement, on 1 November 2024, COSCO SHIPPING issued a guarantee letter to the Company pursuant to which COSCO SHIPPING unconditionally and irrevocably guarantees that, during the period of the 2024 Financial Services Framework Agreement:

- (i) COSCO SHIPPING Finance is an enterprise group finance company established with the approval of the NFRA in accordance with relevant regulations such as the Measures for the Administration of Corporate Finance Companies (《企業集團財務公司管理辦法》), and operates financial business under the PRC Financial License (《中華人民共和國金融許可證》). COSCO SHIPPING Finance has established sound internal control, financial accounting and other related systems. All of its business activities are carried out in compliance with the relevant laws and regulations and the Company's deposit with COSCO SHIPPING Finance is secure. COSCO SHIPPING Finance will continue to operate in accordance with the provisions of relevant laws and regulations;
- (ii) given that the Company is independent from COSCO SHIPPING in terms of its assets, business, personnel, finance etc., COSCO SHIPPING will continue to ensure the independence of the Company and fully respect the operational autonomy of the Company. The Group shall decide according to the actual needs of business as to the financial business to be conducted with COSCO SHIPPING Finance upon fulfilling the internal procedures stipulated in the relevant laws and regulations and the Articles of Association of the Company and in compliance with the relevant conditions stipulated by the NFRA;
- (iii) in respect of the deposits placed by the Group through the deposit services under the 2024 Financial Services Framework Agreement, use its best endeavors and take all reasonable steps to guarantee that COSCO SHIPPING Finance will use such deposits primarily for the purpose of facilitating the fund transfer services and entrustment loan services for the Group;
- (iv) bear all the losses incurred by the Group due to the failure of performing the obligations under the 2024 Financial Services Framework Agreement by COSCO SHIPPING Finance, including but not limited to, the deposit amount, interest and the relevant expenses incurred, within ten business days after such failure occurs; and
- (v) guarantees to ensure strict compliance with the relevant rules of the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Articles of Association of the Company and other provisions of the company management system, to exercise shareholders' rights and perform shareholders' obligations on an equal footing with other shareholders, not to exploit the position of a controlling shareholder for improper interests, and not to prejudice the legitimate rights and interests of the Company and other shareholders.

COSCO SHIPPING confirms that it has obtained all approvals and authorizations for execution the abovementioned letter and such execution does not violate any PRC laws, regulations or any agreement to which COSCO SHIPPING is a party.

In addition, pursuant to the 2024 Financial Services Framework Agreement, the Group is entitled to, at its absolute discretion and taking into account its demand, decide to withdraw and make use of the full deposits without any penalty under the 2024 Financial Services Framework Agreement.

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## LETTER FROM THE BOARD

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### **THE 2024 VESSEL SERVICES FRAMEWORK AGREEMENT, THE 2024 SEA CREW FRAMEWORK AGREEMENT AND THE 2024 SERVICES FRAMEWORK AGREEMENT**

To facilitate the cooperation between the Group and the COSCO SHIPPING Group and to allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other, COSCO SHIPPING and the Company have entered into the 2024 Vessel Services Framework Agreement, in relation to the provision and receipt of the Shipping Materials and Services. The reason for the bilateral arrangement in relation to the 2024 Vessel Services Framework Agreement is mainly because when the vessel from one group is at a place where it is not able or not economical to receive such supplies or services from its own group due to geographical or other limitations, it may purchase such supplies or services from the other group according to actual circumstances. Such bilateral arrangement can benefit both groups to reduce their operational costs and achieve synergy.

To make full advantages of the premium services to be offered by the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING), COSCO SHIPPING and the Company have entered into the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement, pursuant to which the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group or the associates of the Company with the Crew Services and the Miscellaneous Services.

#### **(1) 2024 Vessel Services Framework Agreement**

Date: 30 October 2024 (after trading hours)

Parties: COSCO SHIPPING

The Company

#### ***The Shipping Materials and Services to be Provided***

Pursuant to the 2024 Vessel Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, of which the details are set out below:

- (1) supply of marine lubricant;
- (2) supply of shipping fuel;
- (3) supply of shipping materials and relevant repair services;
- (4) ship management, ship safety management and technical consultation services;
- (5) painting and paint maintenance services;
- (6) ship repair, special coating, technical improvements services, fire control and safety equipment services;
- (7) supply of ship spare parts;
- (8) electrical, electrical engineering, telecommunication and navigation equipment services;

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## LETTER FROM THE BOARD

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- (9) supply and repair of ship equipment;
- (10) ship supervision technology services;
- (11) related services for sale and purchase of ships, accessories and equipment;
- (12) ship and related business insurance and insurance brokerage services;
- (13) ship and shipping agency services;
- (14) shipping services and ship charter services; and
- (15) other miscellaneous ship services.

### ***Pricing Policy***

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. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of shipping materials and/or services in their ordinary course of business in the same or neighboring areas under normal commercial terms. The above market price will usually be based on historical quotations from independent third parties in the past three years or price levels disclosed by government or third-party trading platforms (if applicable). Further, the price chargeable and the terms offered by the Group for the provision of the Shipping Materials and Services to the COSCO SHIPPING Group and/or its associates shall be no more favorable than the price and terms offered by the Group to independent third parties for similar type of shipping materials and/or services. The price chargeable and the terms offered by the COSCO SHIPPING Group and/or its associates for the provision of the Shipping Materials and Services to the Group shall be no less favorable to the Group than the price and terms received by the Group from independent third parties for similar type of shipping materials and/or services.

### ***Internal Control Measures***

In order to ensure the terms provided by the Group are no more favorable than that offered to independent third parties, the Group will make reference to the historical price and terms of the Group providing such materials and/or services to independent third parties. The Group will also make reference to the prevailing market price by obtaining quotations for the provision of such materials and/or services from three independent third party suppliers/service providers which it can make reference to.

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered to the Group by independent third parties, the Group will obtain quotations from three independent third party suppliers/service providers for the provision of such materials and/or services and compare the quotations provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the Group are no more favorable than that offered to independent third parties and the terms offered by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered to the Group by independent

## LETTER FROM THE BOARD

third parties. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

### *Historical transaction amounts and existing annual caps*

The table below sets forth the historical transaction amounts and existing annual caps of the Shipping Materials and Services for the three years ending 31 December 2024 under the Existing Shipping Materials and Services Framework Agreement:

	For the year ended 31 December 2022			For the year ended 31 December 2023			For the year ending 31 December 2024		
	Annual cap	Actual amount <i>(audited)</i> <i>(RMB'000)</i>	Utilisation rate <i>(%)</i>	Annual cap	Actual amount <i>(audited)</i> <i>(RMB'000)</i>	Utilisation rate <i>(%)</i>	Annual cap	Actual amount up to 30 September 2024 <i>(unaudited)</i> <i>(RMB'000)</i>	Utilisation rate <i>Note 1</i> <i>(%)</i>
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	99.53	100,000	24,609	24.61	150,000	13,710	12.19
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	99.68	6,800,000	6,752,869	99.31	8,400,000	5,277,622	83.77

*Note:*

- The utilisation rate for the transactions under the Existing Shipping Materials and Services Framework Agreement as of 30 September 2024 is based on the annualised amount calculated using the transaction amount for the nine months ended 30 September 2024. It is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2024.

As far as the Directors are aware, the annual caps for the year ending 31 December 2024 under the Existing Shipping Materials and Services Framework Agreement had not been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### *Annual Caps*

The aggregate fees in any financial year for the Shipping Materials and Services will depend on the types or quantity of the Shipping Materials and Services provided by/to the Group or the associates of the Company. Pursuant to the 2024 Vessel Services Framework Agreement, the annual caps for the provision and receipt of Shipping Materials and Services are as follows:

	<b>For the year ending 31 December 2025 (RMB'000)</b>	<b>For the year ending 31 December 2026 (RMB'000)</b>	<b>For the year ending 31 December 2027 (RMB'000)</b>
Provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	150,000	150,000	150,000
Receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	11,500,000	11,500,000	11,500,000

These annual caps have been determined based on the actual amounts paid and/or received by the Group under the Existing Materials and Services Framework Agreement for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024, management's estimates of fleet operational costs over the next three years ending 31 December 2027 and management's estimates of the market prices and other relevant market developments.

In relation to the receipt of Shipping Materials and Services, (i) it is expected that the expected fuel price will increase in the three years ending 31 December 2027 as compared to the existing fuel price considering the oil production cut, growing global oil demand and continuing geopolitical conflicts, leading to an increase in costs for fuel purchase; (ii) the Group plans to undergo ship repairment and install desulfurization systems on large ships for the three years ending 2027; and (iii) a reasonable buffer to cater for unexpected fluctuation of market prices and change in specifications for costs of ship and shipping agency services and ship and related business insurance and insurance brokerage services was taken into account in determining the proposed annual caps. Therefore, there is an increase in proposed annual caps under the 2024 Vessel Services Framework Agreement for the three years ending 31 December 2027 as compared with the annual caps for the three years ending 31 December 2024 under the Existing Shipping Materials and Services Framework Agreement.

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## LETTER FROM THE BOARD

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In relation to the provision of Shipping Materials and Services, after the acquisition of the equity interests of five companies by the Company pursuant to the equity transfer agreements in November 2024 as disclosed in the Company's announcements dated 14 October 2024 and 8 November 2024, the Group has increased capability to provide Shipping Materials and Services and it is expected that the transaction volume will increase in the next three years. Therefore, there is an increase in the proposed annual caps for the three years ending 31 December 2027.

### *Payment Terms*

The payment terms are dependent on the type of the Shipping Materials and Services to be provided and are determined at the time when the Shipping Materials and Services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of materials and/or services.

### *Term*

Subject to the approval being obtained from the Independent Shareholders, the 2024 Vessel Services Framework Agreement will be effective from 1 January 2025 to 31 December 2027. Subject to compliance with the Listing Rules, the 2024 Vessel Services Framework Agreement may be renewed for another three years from 1 January 2028 upon written agreement by both parties.

### **(2) 2024 Sea Crew Framework Agreement**

Date: 30 October 2024 (after trading hours)

Parties: COSCO SHIPPING (as provider of services)

The Company (as recipient of services)

### *The Crew Services to be Provided*

Pursuant to the 2024 Sea Crew Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group with the Crew Services, which include the crew management, training, hiring and related services.

### *Pricing Policy*

The fees for the Crew Services will be determined by reference to the prevailing market price for similar type of crew services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of crew services in their ordinary course of business in the same or neighboring areas under normal commercial terms. The above market price will usually be based on historical quotations from independent third parties in the past three years or price levels disclosed by government or third-party trading platforms (if applicable). Further, the terms offered by the COSCO SHIPPING Group (and/or its associates) of the Crew Services shall be (i) no less favorable than the terms offered by the COSCO SHIPPING Group (and/or its associates) to independent third parties for similar type of crew services; and (ii) no less favorable than the terms received by the Group of the Crew Services from independent third parties for similar type of crew services.

## LETTER FROM THE BOARD

### *Internal Control Measures*

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy, the Group will obtain quotations from three independent third party service providers for the provision of such crew services and will obtain three service contracts from the COSCO SHIPPING Group for the provision of such crew services by the COSCO SHIPPING Group and/or its associates to independent third parties and compare the quotations for the Crew Services provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations/service contracts will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

### *Historical transaction amounts and existing annual caps*

The table below sets forth the historical transaction amounts and existing annual caps of the Crew Services for the three years ending 31 December 2024 under the Existing Sea Crew Framework Agreement:

	For the year ended 31 December 2022			For the year ended 31 December 2023			For the year ending 31 December 2024		
	Annual cap	Actual amount <i>(audited)</i> <i>(RMB'000)</i>	Utilisation rate <i>(%)</i>	Annual cap	Actual amount <i>(audited)</i> <i>(RMB'000)</i>	Utilisation rate <i>(%)</i>	Annual cap	Actual amount up to 30 September 2024 <i>(unaudited)</i> <i>(RMB'000)</i>	Utilisation rate <i>Note 1</i> <i>(%)</i>
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	97.66	2,200,000	2,199,064	99.96	2,400,000	1,729,088	96.06

*Note:*

- The utilisation rate for the transactions under the Existing Sea Crew Framework Agreement as of 30 September 2024 is based on the annualised amount calculated using the transaction amount for the nine months ended 30 September 2024. It is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2024.

As far as the Directors are aware, the annual cap for the year ending 31 December 2024 under the Existing Sea Crew Framework Agreement had not been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### *Annual Caps*

The aggregate fees in any financial year for the Crew Services will depend on the types or quantity of the Crew Services provided to the Group. Pursuant to the 2024 Sea Crew Framework Agreement, the annual caps for the receipt of the Crew Services are as follows:

	<b>For the year ending 31 December 2025 (RMB'000)</b>	<b>For the year ending 31 December 2026 (RMB'000)</b>	<b>For the year ending 31 December 2027 (RMB'000)</b>
Receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	2,600,000	2,600,000	2,600,000

These annual caps have been determined based on the actual amounts paid by the Group under the Existing Sea Crew Framework Agreement for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024, management's estimates of fleet operational costs, which are based on the estimated fleet size of the Group and the potential salary increment for the crew members, over the next three years ending 31 December 2027 and management's estimates of the market prices and other relevant market developments.

### *Payment Terms*

The payment terms are dependent on the type of the Crew Services to be provided and are determined at the time when the Crew Services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of crew services.

### *Term*

Subject to the approval being obtained from the Independent Shareholders, the 2024 Sea Crew Framework Agreement will be effective from 1 January 2025 to 31 December 2027. Subject to compliance with the Listing Rules, the 2024 Sea Crew Framework Agreement may be renewed for another three years from 1 January 2028 upon written agreement by both parties.

### **(3) 2024 Services Framework Agreement**

Date: 30 October 2024 (after trading hours)

Parties: COSCO SHIPPING (as provider of services)

The Company (as recipient of services)

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## LETTER FROM THE BOARD

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### *The Miscellaneous Services to be Provided*

Pursuant to the 2024 Services Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group or the associates of the Company with the Miscellaneous Services, of which the details are set out below:

- (1) computer and software maintenance services;
- (2) accommodation, transportation and conference services;
- (3) sale reception and employee catering services;
- (4) supply of office supplies and labor supplies;
- (5) vehicle rentals, repair, maintenance and chauffeur services;
- (6) office equipment maintenance, property management, back office management and file management services;
- (7) property leasing management services;
- (8) printing, printer maintenance services and paper supply services;
- (9) assistance to marine claims;
- (10) medical services;
- (11) training services;
- (12) courier and gardening services; and
- (13) other miscellaneous services.

### *Pricing Policy*

The fees for the Miscellaneous Services will be determined by reference to the prevailing market price for similar type of services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of services in their ordinary course of business in the same or neighboring areas under normal commercial terms. The above market price will usually be based on historical quotations from independent third parties in the past three years or price levels disclosed by government, third-party trading platforms or trading agents (if applicable). Further, the terms offered by the COSCO SHIPPING Group (and/or its associates) of the Miscellaneous Services shall be no less favorable than the terms received by the Group of the Miscellaneous Services from independent third parties for similar type of services.

### *Internal Control Measures*

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy, the Group will obtain quotations from three independent third party service providers for the provision of such services and compare the quotations provided by the COSCO SHIPPING Group and/or its associates against those quotations.

## LETTER FROM THE BOARD

The quotations/service contracts will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

### *Historical transaction amounts and existing annual caps*

The table below sets forth the historical transaction amounts and existing annual caps of the Miscellaneous Services for the three years ending 31 December 2024 under the Existing Services Framework Agreement:

	For the year ended 31 December 2022			For the year ended 31 December 2023			For the year ending 31 December 2024		
	Annual cap	Actual amount <i>(audited)</i> <i>(RMB'000)</i>	Utilisation rate <i>(%)</i>	Annual cap	Actual amount <i>(audited)</i> <i>(RMB'000)</i>	Utilisation rate <i>(%)</i>	Annual cap	Actual amount up to 30 September 2024 <i>(unaudited)</i> <i>(RMB'000)</i>	Utilisation rate <sup>Note 1</sup> <i>(%)</i>
Receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	70,000	60,104	85.86	70,000	57,694	82.42	70,000	52,744	100.46

*Note:*

- The utilisation rate for the transactions under the Existing Services Framework Agreement as of 30 September 2024 is based on the annualised amount calculated using the transaction amount for the nine months ended 30 September 2024. It is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2024.

As far as the Directors are aware, the annual cap for the year ending 31 December 2024 under the Existing Services Framework Agreement had not been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### *Annual Caps*

The aggregate fees in any financial year for the Miscellaneous Services will depend on the types or quantity of the Miscellaneous Services provided to the Group. Pursuant to the 2024 Services Framework Agreement, the annual caps for the receipt of the Miscellaneous Services are as follows:

	<b>For the year ending 31 December 2025 (RMB'000)</b>	<b>For the year ending 31 December 2026 (RMB'000)</b>	<b>For the year ending 31 December 2027 (RMB'000)</b>
Receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	150,000	150,000	150,000

These annual caps have been determined based on the actual amounts paid by the Group under the Existing Services Framework Agreement for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024, management's estimates of the market prices and other relevant market developments, and also the estimated increase in the Group's demand for computer and software maintenance services.

It is expected that the receipt of (i) computer and software system maintenance service; (ii) property services; and (iii) education and training services will account for a vast majority of the proposed annual caps for the three years ending 31 December 2027. In terms of computer and software system maintenance service, the Company will conduct annual maintenance and upgrade of its shipping software system to support the service provided by shipping research institute. The Company also intends to accelerate upgrading of the systems and construct new platforms to support its expanding business in the upcoming three years, leading to an increase in the demand for computer and software system maintenance service. For property services, as the Company has purchased and rented new office space, and acquired several companies which also require property services, it is expected that there will be a greater need for property services. As to education and training services, the Company expects that the transaction amount for the next three years would be similar to that for the three years ending 31 December 2024.

### *Payment Terms*

The payment terms are dependent on the type of the Miscellaneous Services to be provided and are determined at the time when the Miscellaneous Services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of miscellaneous services.

### *Term*

Subject to the approval being obtained from the Independent Shareholders, the 2024 Services Framework Agreement will be effective from 1 January 2025 to 31 December 2027. Subject to compliance with the Listing Rules, the 2024 Services Framework Agreement may be renewed for another three years from 1 January 2028 upon written agreement by both parties.

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## LETTER FROM THE BOARD

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### *Reasons for and benefits of entering into the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement*

Certain members of the COSCO SHIPPING Group have been providing the necessary supporting shipping materials and services, crew services and miscellaneous services to the Group since the Group's establishment. The transactions between the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) and the Group under the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement are essential to the businesses and operation of both groups.

The terms of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the Shipping Materials and Services, the Crew Services and the Miscellaneous Services from the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING), who are experienced in the provision of such services in the shipping industry, will strengthen the competitiveness of the Group.

In light of the above circumstances, the Directors consider the terms of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

#### **2024 LEASE FRAMEWORK AGREEMENT**

Date: 30 October 2024 (after trading hours)

Parties: COSCO SHIPPING

The Company

#### **The Leasing Services to be Provided**

Pursuant to the 2024 Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Leasing Services including property and land use right leasing services.

#### **Pricing Policy**

The rent for the Leasing Services will be determined by reference to the prevailing market price. The prevailing market price shall be determined by reference to the rent chargeable by independent third parties in their ordinary course of business for providing similar type of properties in the same or neighboring areas under normal commercial terms. The above market price will usually be based on the price levels disclosed on third-party trading platforms.

#### **Internal Control Measures**

In order to ensure the terms provided by the Group are no more favorable than that offered to independent third parties, the Group will make reference to the historical price and terms of the Group providing such leasing services to independent third parties. The Group will also make reference to the prevailing market price by obtaining quotations for rental of similar type of properties in the same or neighboring areas from three independent third parties.

## LETTER FROM THE BOARD

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered by independent third parties, the Group will obtain quotations from three independent third parties for rental of similar type of properties in the same or neighboring areas and compare the quotations provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the Group are no more favorable than that offered to independent third parties and the terms offered by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered by independent third parties. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

### Historical transaction amounts and existing annual caps

The table below sets forth the historical transaction amounts and existing annual caps of the Leasing Services for the three years ending 31 December 2024 under the Existing Lease Framework Agreement:

	For the year ended 31 December 2022			For the year ended 31 December 2023			For the year ending 31 December 2024		
	Annual cap	Actual amount (audited) (RMB'000)	Utilisation rate (%)	Annual cap	Actual amount (audited) (RMB'000)	Utilisation rate (%)	Annual cap	Actual amount up to 30 September 2024 (unaudited) (RMB'000)	Utilisation rate <sup>Note 1</sup> (%)
Provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	600	431	71.83	600	529	88.17	600	231	51.33
Receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	10,000	4,614	46.14	10,000	3,835	38.35	10,000	4,168	55.57

*Note:*

- The utilisation rates for the transactions under the Existing Lease Framework Agreement as of 30 September 2024 are based on the annualised amounts calculated using the transaction amounts for the nine months ended 30 September 2024. They are for illustration purposes only and do not represent the actual transaction amounts for the year ending 31 December 2024.

As far as the Directors are aware, the annual caps for the year ending 31 December 2024 under the Existing Lease Framework Agreement had not been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Annual Caps

The aggregate fees in any financial year for the Leasing Services will depend on the types or number of properties leased by/to the Group. Pursuant to the 2024 Lease Framework Agreement, the annual caps for the provision and receipt of the Leasing Services are as follows:

	<b>For the year ending 31 December 2025 (RMB'000)</b>	<b>For the year ending 31 December 2026 (RMB'000)</b>	<b>For the year ending 31 December 2027 (RMB'000)</b>
Provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	1,000	1,000	1,000
Receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	25,000	25,000	25,000

These annual caps have been determined based on the actual amounts paid and/or received by the Group under the Existing Lease Framework Agreement in the last two financial years ended 31 December 2023 and the nine months ended 30 September 2024, the estimated aggregate annual rental payable under the specific lease agreements during the term, and a reasonable buffer to cater for possible increase in demand for office space of the Group.

In respect of the provision of the Leasing Services by the Group under the 2024 Lease Framework Agreement, it is expected that the transaction amount will increase for the three years ending 31 December 2027 as a joint venture company of the Company will begin to rent out residential apartments in 2025.

In respect of the receipt of the Leasing Services by the Group under the 2024 Lease Framework Agreement, it is expected that the Group will lease more office space starting from 2025 in light of the development of LNG transportation business. Furthermore, the Company has completed the registration of Dalian COSCO SHIPPING Energy Supply Chain Co., Ltd. (大連中遠海運能源供應鏈有限公司) and acquired equity interests of five companies pursuant to the equity transfer agreements in November 2024 as disclosed in the Company's announcements dated 14 October 2024 and 8 November 2024, which is expected to increase the Group's demand for Leasing Services for the next three years.

### Payment Terms

The rent payable for the Leasing Services are/will be payable monthly, quarterly or half-yearly according to the terms of definitive lease to be entered into pursuant to the 2024 Lease Framework Agreement. The Group believes such payment term is consistent with market term for rental of properties.

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## LETTER FROM THE BOARD

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### **Term**

Subject to the approval being obtained from the Independent Shareholders, the 2024 Lease Framework Agreement will be effective from 1 January 2025 to 31 December 2027. Subject to compliance with the Listing Rules, the 2024 Lease Framework Agreement may be renewed for another three years from 1 January 2028 upon written agreement by both parties.

### **Reasons for and benefits of entering into the 2024 Lease Framework Agreement**

Certain members of the COSCO SHIPPING Group and/or its associates have been providing the Leasing Services to the Group and the Group has been providing the Leasing Services to certain members of the COSCO SHIPPING Group and/or its associates since the entering into of the Existing Lease Framework Agreement. As the Group has a continuous demand for such types of properties and land use right in the upcoming three years, and the rent to be charged by COSCO SHIPPING Group and/or its associates are competitive, the Company has agreed to rent such properties and land use right from the COSCO SHIPPING Group and/or its associates. Further, as the COSCO SHIPPING Group and/or its associates has a continuous demand for such types of properties and land use right in the upcoming three years, and the rent that the COSCO SHIPPING Group and/or its associates are willing to pay is competitive, the Company has agreed to lease such properties and land use right to the COSCO SHIPPING Group and/or its associates.

In addition, the Board considers that the 2024 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 and/or its associates.

In light of the above circumstances, the Directors consider the terms of the 2024 Lease Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **2024 TRADEMARK LICENSE AGREEMENT**

The Existing Trademark License Agreement will expire on 31 December 2024 and COSCO SHIPPING has agreed to renew the non-exclusive license granted to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING upon terms and conditions as similar to those set out in the Existing Trademark License Agreement. Therefore, on 30 October 2024 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries, excluding the Group) entered into the 2024 Trademark License Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive license to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for the three years ending 31 December 2027.

### **INFORMATION ON THE PARTIES**

The Company is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas shipment and vessel chartering.

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## LETTER FROM THE BOARD

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COSCO SHIPPING is a state-owned enterprise and is a controlling shareholder of the Company. COSCO SHIPPING is principally engaged in international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

China Shipping is a company incorporated under the laws of the PRC and a wholly-owned subsidiary of COSCO SHIPPING. China Shipping is principally engaged in coastal and ocean cargo transportation, container transportation, import and export business and international freight agency business.

COSCO SHIPPING Finance is a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING Finance is principally engaged in provision of deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, clearing services and liquidation services.

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, 635,028,695 A shares are directly held by COSCO SHIPPING and 1,536,924,595 A shares are held by China Shipping (a wholly-owned subsidiary of COSCO SHIPPING). Therefore, COSCO SHIPPING and its associates are entitled to exercise control over the voting rights in respect of 2,171,953,290 A shares, representing approximately 45.53% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company, and therefore COSCO SHIPPING, China Shipping and COSCO SHIPPING Finance are connected persons of the Company within the meaning of the Listing Rules.

The transactions pursuant to the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement, the 2024 Services Framework Agreement, the 2024 Lease Framework Agreement and the 2024 Trademark License Agreement constitute continuing connected transactions of the Company as such agreements were entered into with COSCO SHIPPING or COSCO SHIPPING Finance.

Mr. Ren Yongqiang and Mr. Zhu Maijin, being executive Directors, and Mr. Wang Wei and Ms. Wang Songwen, being non-executive Directors, hold positions in COSCO SHIPPING and/or its subsidiaries other than the Group. Accordingly, Mr. Ren Yongqiang, Mr. Zhu Maijin, Mr. Wang Wei and Ms. Wang Songwen have abstained from voting on the relevant Board resolutions approving the 2024 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the 2024 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

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## LETTER FROM THE BOARD

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### **The 2024 Financial Services Framework Agreement**

In respect of the deposit services under the 2024 Financial Services Framework Agreement, the placement of deposits by the Group with COSCO SHIPPING Finance constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios in connection with such placement of deposits are expected to be more than 25% but less than 100% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and shareholders' approval requirements) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the loan services under the 2024 Financial Services Framework Agreement, pursuant to Rule 14A.90 of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the foreign exchange services, clearing services and other financial services under the 2024 Financial Services Framework Agreement, the applicable percentage ratios for all future transactions that may take place between the Group and COSCO SHIPPING Finance in respect of such services are expected to be less than 0.1% on an annual basis. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

### **The 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement**

In respect of the provision of the Shipping Materials and Services, the Crew Services and the Miscellaneous Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement respectively, as the applicable percentage ratios, when aggregated, are expected to be more than 25% but less than 100% on an annual basis, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and Shareholders' approval requirements) under Chapter 14 of the Listing Rules, and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group and/or its associates under the 2024 Vessel Services Framework Agreement, as the applicable percentage ratios are expected to be more than 0.1% but less than 5% on an annual basis, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

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## LETTER FROM THE BOARD

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### **The 2024 Lease Framework Agreement**

In respect of the leasing of certain properties by the COSCO SHIPPING Group and/or its associates to the Group under the 2024 Lease Framework Agreement, the applicable percentage ratios are expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, such transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

In respect of the leasing of certain properties by the Group to the COSCO SHIPPING Group and/or its associates under the 2024 Lease Framework Agreement, the applicable percentage ratios are expected to be less than 0.1% on an annual basis. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

### **The 2024 Trademark License Agreement**

In respect of the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING under the 2024 Trademark License Agreement, as the applicable percentage ratios are expected to be less than 0.1% on an annual basis, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

### **SHANGHAI LISTING RULES IMPLICATIONS**

Pursuant to the Shanghai Listing Rules, transaction amounts under all types of related party transactions entered into in the ordinary and usual course of business of the Company and entered into between the Company and the same related party within a 12-month period should be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures), and if the total aggregated transaction amount exceeds 5% of the net asset value of the Group in its latest audited financial statement, such related party transactions should be presented to a general meeting for the Independent Shareholders' approval.

As the transactions contemplated under the 2024 Framework Agreements also constitute related party transactions entered into in the ordinary and usual course of business of the Company under the Shanghai Listing Rules and were all entered into between the Company and COSCO SHIPPING Group, all the proposed annual caps in the 2024 Framework Agreements shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. It is expected that such aggregated amount would exceed 5% of the net asset value of the Group as at 31 December 2023. Accordingly, ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and, if thought fit, approve the 2024 Framework Agreements, the transactions and the proposed annual caps contemplated thereunder.

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## LETTER FROM THE BOARD

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### III. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether (i) the 2024 Financial Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement, and the 2024 Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise and make recommendation to the Independent Board Committee and the Independent Shareholders in relation to (i) the 2024 Financial Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder in accordance with the Listing Rules.

### IV. DIRECTORS' CONFIRMATION

Mr. Ren Yongqiang and Mr. Zhu Maijin, being executive Directors, and Mr. Wang Wei and Ms. Wang Songwen, being non-executive Directors, hold positions in COSCO SHIPPING and/or its subsidiaries other than the Group. Accordingly, Mr. Ren Yongqiang, Mr. Zhu Maijin, Mr. Wang Wei and Ms. Wang Songwen have abstained from voting on the relevant Board resolutions approving the 2024 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the 2024 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

### V. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND SUPERVISOR

Reference is made to the announcement of the Company dated 30 October 2024 in relation to the proposed appointment of Mr. Wang Shuqing (“**Mr. Wang**”) as a non-executive Director and Mr. Sun Xiaobin (“**Mr. Sun**”) as a Shareholder representative Supervisor (the “**Proposed Appointment**”). According to the Articles of Association, the Proposed Appointment is subject to the approval by the Shareholders at a general meeting of the Company. Ordinary resolutions in relation to the Proposed Appointment will be proposed at the EGM.

The biographical details of Mr. Wang are as follows:

Mr. Wang Shuqing (汪樹青), born in February 1967, holds a master of arts and is a senior political engineer. He is currently a full-time external director at direct subsidiaries of China COSCO Shipping Corporation Limited. He previously held various positions at China Shipping (Group) Company (now known as China Shipping Group Company Limited) and its subsidiaries. He has successively served in roles including the director of the Party Group Office of China Shipping (Group) Company, the secretary of the party committee and the deputy general manager of China Shipping International Ship Management Co., Ltd., as well as the secretary of the party committee and the deputy general manager, and the vice chairman and the deputy secretary of the party committee of COSCO SHIPPING Property Co., Ltd.

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## LETTER FROM THE BOARD

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In accordance with the Articles of Association, subject to the approval of the Shareholders, Mr. Wang's appointment will be commencing from the date of passing of the relevant resolution at the general meeting of the Company until the end of the term of the current session of the Board.

Subject to the approval of the Shareholders of the proposed appointment of Mr. Wang at the general meeting, Mr. Wang will enter into a service contract with the Company for a term of service commencing from the date of passing of the relevant resolution at the general meeting of the Company until the end of the term of the current session of the Board and will be subject to retirement and re-election at the general meetings of the Company in accordance with the Articles of Association. Pursuant to such proposed service contract, Mr. Wang will not receive any remuneration from the Company as a non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, Mr. Wang (i) did not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company; (ii) did not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) did not hold any other positions with other members of the Group.

Save as disclosed above, there are no other matters in relation to the proposed appointment of Mr. Wang that need to be brought to the attention of the Shareholders nor other information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

The biographical details of Mr. Sun are as follows:

Mr. Sun Xiaobin (孫曉斌), born in February 1968, is a senior accountant and currently serves as a full-time external director at direct subsidiaries of China COSCO SHIPPING Corporation Limited. He previously held various positions at China Shipping (Group) Company (now known as China Shipping Group Company Limited) and its subsidiaries. He has successively served in roles including the deputy general manager of the Financial and Accounting Department at China Shipping (Group) Company Limited, the general manager of China Shipping Finance Co., Ltd., and the general manager and chairman of COSCO Shipping Finance Co., Ltd. In accordance with the Articles of Association, subject to the approval of the Shareholders, Mr. Sun's appointment will be commencing from the date of passing of the relevant resolution at the general meeting of the Company until the end of the term of the current session of the Supervisory Committee.

Subject to the approval of the Shareholders of the proposed appointment of Mr. Sun at the general meeting, Mr. Sun will enter into a service contract with the Company for a term of service commencing from the date of passing of the relevant resolution at the general meeting of the Company until the end of the term of the current session of the Supervisory Committee. Pursuant to such proposed service contract, Mr. Sun will not be entitled to any remuneration nor bonus payments as a Supervisor.

Save as disclosed above, as at the Latest Practicable Date, Mr. Sun (i) did not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company; (ii) did not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) did not hold any other positions with other members of the Group.

Save as disclosed above, there are no other matters in relation to the proposed appointment of Mr. Sun that need to be brought to the attention of the Shareholders nor other information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

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## LETTER FROM THE BOARD

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### VI. PROPOSED CHANGE OF OVERSEAS AUDITOR

Reference is made to the announcement of the Company dated 30 October 2024 in relation to, among other things, the resignation of PricewaterhouseCoopers (“**PwC**”) as the overseas auditor of the Company for the year ending 31 December 2024 (the “**2024 Overseas Auditor**”) and the proposed appointment of SHINEWING (HK) CPA Limited (“**SW Hong Kong**”) as the new 2024 Overseas Auditor.

#### 1. Resignation of Overseas Auditor

The Board hereby announces that, with the recommendation of the Audit Committee, and taking into account the Company’s current business situation and the future needs of audit services on a prudent basis, after the Company’s communication with PwC on the proposed change of overseas auditor, PwC agreed to resign as the 2024 Overseas Auditor of the Company with effect from 30 October 2024 (the “**Resignation of Overseas Auditor**”), as stated in its resignation letter dated 30 October 2024.

The Audit Committee and the Board have confirmed that, there are no disagreement or unresolved matters between the Company and PwC, and there are no circumstances connected with the Resignation of Overseas Auditor that need to be brought to the attention of the Shareholders or creditors of the Company. PwC has also confirmed in writing that there are no circumstances connected with the Resignation of Overseas Auditor that need to be brought to the attention of the Shareholders or creditors of the Company.

PwC has completed the review of the Group’s 2024 interim financial report, but has not yet commenced any audit work on the consolidated financial statements of the Group for the year ending 31 December 2024 at the time of its resignation. The Board and the Audit Committee believe that the proposed change of overseas auditor will not have any impact on the Group’s annual audit for the year ending 31 December 2024.

#### 2. Appointment of Overseas Auditor

As disclosed in the announcement, on 30 October 2024, the Board has considered and approved the resolution on the acceptance of the Resignation of Overseas Auditor and the following resolutions on the appointment of overseas auditor (the “**Appointment of Overseas Auditor**”):

- (i) the proposed appointment of SW Hong Kong as the new 2024 Overseas Auditor of the Company to hold office from the date of approval of the relevant resolution at the general meeting of the Company until the conclusion of the next annual general meeting of the Company; and
- (ii) the audit fees of the 2024 Overseas Auditor of RMB1.9017 million (tax inclusive) shall be payable by the Company to SW Hong Kong (excluding 2024 interim review).

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## LETTER FROM THE BOARD

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The Audit Committee and the Board have considered various factors in assessing the eligibility and suitability of the appointment of SW Hong Kong as the overseas auditor of the Company, including but not limited to:

1. SW Hong Kong's proposals of audit services;
2. its professional expertise, technical competence and relevant resources, including its experience in providing audit work for companies listed on The Stock Exchange of Hong Kong Limited and its familiarity with the requirements under the Listing Rules and the Hong Kong Financial Reporting Standards;
3. its independence and objectivity;
4. its reputation in the market and performance in the past;
5. its resources and capabilities for completing audit work within a stipulated schedule;
6. its audit fees;
7. the relevant requirements under the Rules for Management of Audit of Financial Accounts of Central Enterprises (《中央企業財務決算審計管理工作規則》) formulated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; and
8. the guidelines issued by the Accounting and Financial Reporting Council of Hong Kong.

Based on the above, the Audit Committee considered that SW Hong Kong is independent, suitable and competent (including in terms of manpower, expertise, time and other resources) to serve as the overseas auditor of the Company and recommended the Board to appoint SW Hong Kong as the 2024 Overseas Auditor. SHINEWING Certified Public Accountants, LLP and its member firm, SW Hong Kong, will be responsible for the domestic and overseas audits of the Company's financial reports after the Appointment of Overseas Auditor, which is conducive to the integration of audit resources, saving of audit costs and improvement of work efficiency. Accordingly, the Audit Committee and the Board are of the view that the change of overseas auditor will not have any material impact on the Group and is in the interests of the Company and the Shareholders as a whole.

Pursuant to the relevant requirements of the Listing Rules and the Articles of Association, the proposed Appointment of Overseas Auditor is subject to the approval of the Shareholders at a general meeting of the Company. An ordinary resolution in relation to the Appointment of Overseas Auditor will be proposed at the EGM.

### VII. EGM

The EGM will be held at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China on Monday, 30 December 2024 at 10:00 a.m. for the purpose of considering, and if thought fit, approving (i) the 2024 Framework Agreements, the transactions and the proposed annual caps contemplated thereunder; (ii) the proposed appointment of non-executive Director and Supervisor; and (iii) the proposed change of overseas auditor. A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

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## LETTER FROM THE BOARD

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Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (i) in case of H Shareholders, to the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (ii) in case of A Shareholders, to the Office of the Board of Directors of the Company at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at the EGM shall be taken by poll. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

In accordance with the Listing Rules, any Shareholders who has a material interest in the 2024 Framework Agreements shall abstain from voting on the resolutions to approve the 2024 Framework Agreements, the transactions and the proposed annual caps contemplated thereunder at the EGM. As at the Latest Practicable Date, 635,028,695 A Shares were directly held by COSCO SHIPPING and 1,536,924,595 A Shares were held by China Shipping (a wholly-owned subsidiary of COSCO SHIPPING). Therefore, COSCO SHIPPING and its associates are entitled to exercise control over the voting rights in respect of 2,171,953,290 A Shares, representing approximately 45.53% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING, China Shipping and their respective associates will be required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the transactions and will be required to abstain from voting on the relevant resolutions to approve (i) the 2024 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps; (ii) the proposed appointment of non-executive Director and Supervisor; and (iii) the proposed change of overseas auditor at the EGM.

### **VIII. CLOSURE OF REGISTER OF MEMBERS**

For determining the H Shareholders who are entitled to attend and vote at the EGM, the H share register of members of the Company will be closed from Monday, 23 December 2024 to Monday, 30 December 2024, both days inclusive, during which period no transfer of the H Shares will be effected. The H Shareholders whose names appear in the register of members of the Company on Monday, 30 December 2024, are entitled to attend and vote at the EGM. In order to qualify for the entitlement to attend and vote at the EGM, all transfer documents accompanied by relevant share certificates must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 December 2024.

### **IX. RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 40 to 66 of this circular in connection with the 2024 Financial Services Framework Agreement, 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having considered the terms of the 2024 Financial Services Framework Agreement, 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement, and the advice of the Independent Financial Adviser, are of the opinion that (i) the 2024 Financial Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the 2024 Financial Services Framework Agreement, 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder.

Based on the information as set out in this circular, the Directors consider that the terms of the 2024 Framework Agreements, the transactions and the proposed annual caps contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole, and recommend the Independent Shareholders to approve the relevant resolutions to be proposed at the EGM. The Directors also consider that the resolutions to approve (i) the proposed appointment of non-executive Director and Supervisor and (ii) the proposed change of overseas auditor are in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Shareholders to approve the relevant resolutions to be proposed at the EGM.

### **X. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**COSCO SHIPPING Energy Transportation Co., Ltd.**  
**Ren Yongqiang**  
*Chairman*

\* *For identification purposes only*



**COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.\***  
**中遠海運能源運輸股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1138)**

10 December 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTIONS AND  
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 10 December 2024 in relation to the 2024 Framework Agreements, the transactions and the proposed annual caps contemplated thereunder (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the 2024 Financial Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of each of the 2024 Financial Services Framework Agreement, 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the advice of the Independent Financial Adviser, we are of the opinion that (i) the 2024 Financial Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve the 2024 Financial Services Framework Agreement, 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Victor Huang**  
*Independent non-  
executive Director*

**Mr. Li Runsheng**  
*Independent non-  
executive Director*

**Mr. Zhao Jinsong**  
*Independent non-  
executive Director*

**Mr. Wang Zuwen**  
*Independent non-  
executive Director*

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Goldlink Capital (Corporate Finance) Limited to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



28/F  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

10 December 2024

*To: The Independent Board Committee and the Independent Shareholders of  
COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.\**

Dear Sir or Madam,

### MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 10 December 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement made by the Company dated 30 October 2024. The Existing Framework Agreements will expire on 31 December 2024. In light of the Company’s intention to continue entering into transactions of a similar nature from time to time after such expiry date, on 30 October 2024 (after trading hours), the Company entered into, among others, the 2024 Financial Services Framework Agreement, pursuant to which COSCO SHIPPING Finance, a company controlled by COSCO SHIPPING, shall provide the Group and/or the associates of the Company with similar services under the Existing Financial Services Framework Agreement for the three years ending 31 December 2027. On the same date, the Company and COSCO SHIPPING entered into (i) the 2024 Vessel Services Framework Agreement, pursuant to which the Company and COSCO SHIPPING agreed to provide each other’s group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, (ii) the 2024 Sea Crew Framework Agreement, pursuant to which COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide to the Group and/or the associates of the Company with the Crew Services, and (iii) the 2024 Services Framework Agreement, pursuant to which COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Group and/or the associates of the Company with

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Miscellaneous Services. The terms of each of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement, and the 2024 Services Framework Agreement will expire on 31 December 2027.

As at the Latest Practicable Date, 635,028,695 A shares are directly held by COSCO SHIPPING and 1,536,924,595 A shares are held by China Shipping (a wholly-owned subsidiary of COSCO SHIPPING). Therefore, COSCO SHIPPING and its associates are entitled to exercise control over the voting rights in respect of 2,171,953,290 A shares, representing approximately 45.53% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company, and therefore COSCO SHIPPING, China Shipping and COSCO SHIPPING Finance are connected persons of the Company within the meaning of the Listing Rules. The transactions pursuant to the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement constitute continuing connected transactions of the Company as such agreements were entered into with COSCO SHIPPING or COSCO SHIPPING Finance.

In respect of the deposit services under the 2024 Financial Services Framework Agreement, the placement of deposits by the Group with COSCO SHIPPING Finance constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios in connection with such placement of deposits are expected to be more than 25% but less than 100% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and Shareholders' approval requirements) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the provision of the Shipping Materials and Services, the Crew Services and the Miscellaneous Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement respectively, as the applicable percentage ratios, when aggregated, are expected to be more than 25% but less than 100% on an annual basis, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and Shareholders' approval requirements) under Chapter 14 of the Listing Rules, and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ren Yongqiang and Mr. Zhu Maijin, being executive Directors, and Mr. Wang Wei and Ms. Wang Songwen, being non-executive Directors, hold positions in COSCO SHIPPING and/ or its subsidiaries other than the Group. Accordingly, Mr. Ren Yongqiang, Mr. Zhu Maijin, Mr. Wang Wei and Ms. Wang Songwen have abstained from voting on the relevant Board resolutions approving the 2024 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the 2024 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen) has been formed to advise the Independent Shareholders in relation to the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, in accordance with the Listing Rules. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we were appointed as an independent financial adviser for the Company on one occasion. Details of which are set out in its circular dated 2 February 2024 in relation to a discloseable and connected transaction. Furthermore, during the past two years, we were appointed as an independent financial adviser of COSCO SHIPPING Development Co., Ltd.\* (中遠海運發展股份有限公司) (the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601866), a connected person of the Company, on one occasions. Details of which are set out in its circulars dated 9 October 2024 in relation to discloseable and connected transactions and continuing connected transactions. Notwithstanding the above, the previous engagements with the Company and its connected persons would not affect our independence from the Company as we consider that the professional fees we received were at normal commercial terms and at insignificant sum which should not give rise to a perception that our independence would be so affected. Further, since the commencement of our work as the Independent Financial Adviser and as at the Latest Practicable Date, we (i) do not have any direct or indirect shareholdings in; (ii) are not a close associate or core connected person of; (iii) do not have any financial connections (other than with normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser and our aforementioned appointments with the Company and its connected persons) with; (iv) no other current business relationship (save for this appointment as the Independent Financial Adviser) with; (v) within 2 years prior to commencement of our work as the Independent Financial Adviser, we did not serve as a financial adviser to; and (vi) are not an auditor or reporting accountant to, (a) the Company; (b) COSCO SHIPPING or its subsidiaries and (c) any core connected person of the Company. Accordingly, we are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

### **BASIS OF OUR OPINION**

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, in accordance with the Listing Rules.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, in accordance with the Listing Rules. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

#### **1. BACKGROUND INFORMATION ON THE GROUP**

##### **1.1 Background of the Group**

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas (“LNG”) shipment and vessel chartering.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.2 Financial performance of the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the two years ended 31 December 2022, 2023 and the six months ended 30 June 2024, which are extracted from the Company's annual reports for the year ended 31 December 2023 (the "2023 Annual Report") and the Company's interim report for the six months ended 30 June 2024 (the "2024 Interim Report").

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenues	11,571,727	11,483,491	21,912,456	18,566,795
Operating costs	(7,801,863)	(7,465,501)	(15,417,366)	(15,157,996)
Gross profit	3,769,864	4,017,990	6,495,090	3,408,799
Profit for the year/period attributable to equity holders of the Company	2,634,620	2,894,849	3,348,717	1,460,862

#### *For the year ended 31 December 2023 ("FY2023")*

According to the 2023 Annual Report, revenue of the Group for the FY2023 was approximately RMB21.9 billion, representing an increase of approximately 18.0%, which was mainly due to the increase in revenue from both (i) oil shipping segment of approximately 16.5% due mainly to the increase in revenue from international oil shipping segment of approximately 22.6% to approximately RMB13.9 billion as a result of (a) the Group actively communicated with global clients to diversify client resources and the very large crude carrier (VLCC) fleet developed relationships with 6 new domestic and international clients, further expanding the Group's co-operation with leading oil companies on a larger scale and consolidating its global presence in transportation service sector; (b) vigorously expanded high-quality routes to seize cargo sources in high-yield markets; and (c) effectively enhanced overall fleet revenue through flexible integration of domestic and international voyages and (ii) international LNG shipping segment of approximately 38.1% to approximately RMB1.8 billion.

Profit for the year attributable to equity holders of the Company increased significantly from approximately RMB1.5 billion for the year ended 31 December 2022 to approximately RMB3.3 billion for the FY2023, which was mainly attributable to (i) the increase in revenue of approximately 18.0% as discussed above; (ii) the increase in gross profit margin by 11.2 percentage points year-on-year, mainly due to the slight decrease in oil shipping operating costs of approximately 0.3% despite the increase in revenue as a result of (a) the decrease in fuel costs of approximately 9.7% and (b) the decrease in sea crew costs of approximately 7.1%; and (iii) the increase in other income and other gains, net of approximately RMB534.8 million as a result of increase in gain on disposal of property, plant and equipment, net of approximately RMB329 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *For the six months ended 30 June 2024 (“6M2024”)*

As stated in the 2024 Interim Report, revenue of the Group for the 6M2024 amounted to approximately RMB11.6 billion which was at similar level as compared to that of approximately RMB11.5 billion for the six months ended 30 June 2023.

Profit attributable to equity holders of the Company for the 6M2024 decreased from approximately RMB2.9 billion for the six months ended 30 June 2023 to approximately RMB2.6 billion for the 6M2024. Such decrease was mainly due to (i) the decrease in gross profit from approximately RMB4.0 billion for the six months ended 30 June 2023 to approximately RMB3.8 billion for the 6M2024, due mainly to the increase in oil shipping operating costs of approximately 4.1% as a result of (a) the increase in depreciation costs of approximately 11.5% to approximately RMB1.4 billion and (b) the increase in charter costs of approximately 51.6% to approximately RMB1.2 billion; and (ii) the decrease in other income and other gains, net from approximately RMB704.2 million for the six months ended 30 June 2023 to approximately RMB238.0 million for the 6M2024, as a result of the decrease in gain on disposal of property, plant and equipment, net of approximately RMB398 million.

### 1.3 Financial position on the Group

	<b>As at 30 June 2024</b>	<b>As at 31 December</b>	
	<i>RMB'000</i>	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	66,039,269	62,614,423	59,867,867
Current assets	9,367,702	9,469,189	8,382,586
Current liabilities	9,934,126	8,726,332	10,590,517
Non-current liabilities	27,050,131	26,253,957	24,089,175
Equity attributable to equity holders of the Company	35,551,335	34,391,504	31,570,671

As at 31 December 2023, total assets of the Group amounted to approximately RMB72.1 billion, representing an increase of approximately RMB3.8 billion as compared to that as at 31 December 2022. Such increase was mainly due to the increase in non-current assets as a result of the increase in property, plant and equipment of approximately RMB2.9 billion, due mainly to the addition of construction in progress in relation to the vessels. As at 30 June 2024, total assets of the Group further increased to approximately RMB75.4 billion from approximately RMB72.1 billion as at 31 December 2023. Such increase was mainly due to the increase in non-current assets of approximately RMB3.4 billion, mainly because (i) the increase in investment in joint ventures of approximately RMB1.2 billion; and (ii) the increase in property, plant and equipment of approximately RMB1.1 billion as a result of addition of construction in progress in relation to the vessels.

As at 31 December 2023, total liabilities of the Group amounted to RMB35.0 billion as compared to approximately RMB34.7 billion as at 31 December 2022. The slight increase in total liabilities was mainly due to the increase in non-current liabilities as a result of the increase in interest-bearing bank and other borrowings of approximately RMB2.2 billion. As at 30 June 2024, total liabilities of the Group further increased to approximately RMB37.0 billion as compared to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately RMB35.0 billion as at 31 December 2023. Such increase was mainly due to the (i) the increase in non-current liabilities as a result of the increase in interest-bearing bank and other borrowings of approximately RMB860 million and (ii) the increase in current liabilities as a result of other payables and accruals of approximately RMB1.4 billion to approximately RMB3.1 billion.

As a result of the foregoing, the total equity attributable to the equity holders of the Company as at 31 December 2023 and as at 30 June 2024 amounted to RMB34.4 billion and RMB35.6 billion, respectively.

### **1.4 Background information of COSCO SHIPPING**

COSCO SHIPPING is a state-owned enterprise and is a controlling shareholder of the Company. COSCO SHIPPING is principally engaged in international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

### **1.5 Background information of COSCO SHIPPING Finance**

COSCO SHIPPING Finance is a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING Finance is principally engaged in provision of deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, clearing services and liquidation services.

## **2. THE 2024 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

### **2.1 Reasons for and benefits of the entering into the 2024 Financial Services Framework Agreement**

The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business.

As advised by the management of the Company, we are given to understand that the Group has maintained deposits with COSCO SHIPPING Finance since 2010. The Directors believe that as an intra-group service provider, COSCO SHIPPING Finance generally have better and more efficient communication with the Group as compared with other independent banks and financial institutions, and the receipt of deposit services from COSCO SHIPPING Finance for the three years ending 31 December 2027 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks.

Furthermore, as advised by the management of the Company, the Group is not restricted under the 2024 Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's services if the service quality provided continues to be competitive. Having such flexibility afforded under the 2024 Financial Services Framework Agreement, the Group would be able to better manage its current capital and cash flow position. In addition, it is also expected that COSCO SHIPPING Finance will provide more efficient foreign exchange and clearing services to the Group, as compared to other independent third party banks.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we are given to understand that the operations of COSCO SHIPPING Finance are approved by NFRA. To the best of the Directors' knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and have sound internal control systems. COSCO SHIPPING Finance can provide financial services, including deposit services, based on the approval issued by NFRA.

In considering the financial ability of COSCO SHIPPING Finance, we have reviewed its financial information for the year ended 31 December 2023 and the six months ended 30 June 2024. We note that COSCO SHIPPING Finance recorded net assets of approximately RMB24.0 billion and RMB24.1 billion as at 31 December 2023 and 30 June 2024 respectively. We have also reviewed the annual risk management assessment report for the year ended 31 December 2023 ("**2023 Assessment Report**") prepared by COSCO SHIPPING Finance which, among others, summarised the current financial positions of COSCO SHIPPING Finance. We note from the 2023 Assessment Report that as at 31 December 2023, various financial ratios of COSCO SHIPPING Finance were in compliance with the regulations as set out in the "Finance Company Management Measures for Group Enterprise"\* (《企業集團財務公司管理辦法》) issued by NFRA. Based on the current financial position of COSCO SHIPPING Finance, we concur with Directors' view that the Group would not be exposed to high credit risks for the receipt of financial services from COSCO SHIPPING Finance.

Having taking into consideration that (i) COSCO SHIPPING Finance has been providing financial services to the Group since 2010 and generally have better and more efficient communication with the Group as compared with other independent banks and financial institutions; (ii) the Group have the flexibility and is not obliged to use COSCO SHIPPING Finance's services; and (iii) COSCO SHIPPING Finance has sound financial ability, we therefore concur with the Directors' view that the entering into of the 2024 Financial Services Framework Agreement is in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **2.2 Principal terms of the 2024 Financial Services Framework Agreement**

The principal terms of the 2024 Financial Services Framework Agreement have been set out in the Letter from the Board and are summarised below.

Date:	30 October 2024 (after trading hours)
Parties:	COSCO SHIPPING Finance (as provider of services)
	The Company (as recipient of services)

#### ***Pricing Policy and its fairness and reasonableness***

Under the 2024 Financial Services Framework Agreement, among others,

- (i) COSCO SHIPPING Finance may accept deposits from the Group or the associates of the Company at interest rates not lower, and thus no less favorable, than 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 (i) the market

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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interest rates and (ii) the interest rates offered by COSCO SHIPPING Finance to other companies of the COSCO SHIPPING Group for the similar type of deposits;

- (ii) COSCO SHIPPING Finance may provide loans to the Group or the associates of the Company at interest rates not higher than 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, in determining the interest rates, COSCO SHIPPING Finance should also make reference to (i) the market interest rates and (ii) the interest rates offered by COSCO SHIPPING Finance to other companies of the COSCO SHIPPING Group for similar type of loans;
- (iii) COSCO SHIPPING Finance will not charge the Group or the associates of the Company any fees for the provision of clearing 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 (i) in accordance with the requirements stipulated by the PBC or NFRA or its despatched agencies for similar type of financial services (if applicable); (ii) not higher than the fees charged by independent third party commercial banks for similar type of services to the Group and the associates of the Company; and (iii) not higher than the fees charged by COSCO SHIPPING Finance for similar type of services to independent third parties with the same credit rating.

We have reviewed the 2024 Financial Services Framework Agreement and note that the pricing policies thereunder are the same as those stipulated in the Existing Financial Services Framework Agreement.

In order to assess the fairness and reasonableness of the terms of the 2024 Financial Services Framework Agreement, we have obtained and compared the interest rates offered by COSCO SHIPPING Finance in 2024 with the interest rates offered by three independent commercial banks in the PRC for similar type of deposits (i.e. 7 day notice deposits) (the “**Interest Rate Comparison**”). After taking into consideration that (i) the three independent commercial banks are state-own banks which are the most representative banks in the PRC; (ii) the interest rates offered by three independent commercial banks are quoted on their respective websites for public referencing, we consider that such comparables are fair and representative. We noted that the interest rates offered by COSCO SHIPPING Finance were no less favourable than those offered by independent commercial banks in the PRC for similar type of deposits.

Further, we have reviewed the 2023 Annual Report and noted that both the auditor of the Company and the independent non-executive Directors confirmed that, among others, the terms of the deposit services under the Existing Financial Services Framework Agreement was conducted on normal commercial terms and in accordance with the relevant pricing policies.

In addition, we have reviewed the relevant internal control measures, in particular:

- (i) the Company will obtain at least three quotations from independent financial institutions for similar type of services (for instance, in respect of loan

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- services, a loan of the same duration or the same nature) before the Groups (a) places any deposits, which has a term of three months or more; and (b) enters into any loan agreements or any financial services agreements, with COSCO SHIPPING Finance;
- (ii) in respect of services with transaction amounts less than RMB1 million, quotations of financial services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review and approval;
  - (iii) in respect of services with transaction amounts equal or more than RMB1 million, quotations of such services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review, and the chief financial officer of the Company will then seek approval from the general manager of the Company, or the Board, as appropriate, on whether to accept COSCO SHIPPING Finance's offer;
  - (iv) all borrowings from COSCO SHIPPING Finance will be conducted in accordance with the terms approved by the chief financial officer, the general manager or the Board, as appropriate;
  - (v) the Company will monitor the status of the deposits on a monthly basis through the internet banking services provided by COSCO SHIPPING Finance;
  - (vi) the Company will report to the independent non-executive Directors every six months on (a) the loan or credit facilities agreements entered into with COSCO SHIPPING Finance together with information on the comparable quotations obtained from the independent commercial banks; and (b) any changes in the credit ratings of COSCO SHIPPING Finance during the preceding six-month period;
  - (vii) COSCO SHIPPING Finance is required to take appropriate measures to ensure the security of its information technology system is secured with security level commensurate the other commercial banks;
  - (viii) COSCO SHIPPING Finance is required to comply with management and supervision protocols and guidelines promulgated by the NFRA and the relevant laws and regulations;
  - (ix) COSCO SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to NFRA;
  - (x) COSCO SHIPPING Finance is required to provide to the Company a copy of the monthly financial statements of COSCO SHIPPING Finance in the following month; and
  - (xi) COSCO SHIPPING Finance is required to inform the Company of any material adverse event and to take appropriate measures to prevent the occurrence or to minimize the impact of the material adverse event.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also obtained and reviewed the guarantee letter issued by COSCO SHIPPING to the Company, in respect of the 2024 Financial Services Framework Agreement, pursuant to which COSCO SHIPPING unconditionally and irrevocably guarantees that, during the period of the 2024 Financial Services Framework Agreement:

- (i) COSCO SHIPPING Finance is an enterprise group finance company established with the approval of the NFRA in accordance with relevant regulations such as the Measures for the Administration of Corporate Finance Companies (《企業集團財務公司管理辦法》), and operates financial business under the PRC Financial License (《中華人民共和國金融許可證》). COSCO SHIPPING Finance has established sound internal control, financial accounting and other related systems. All of its business activities are carried out in compliance with the relevant laws and regulations and the Company's deposit with COSCO SHIPPING Finance is secure. COSCO SHIPPING Finance will continue to operate in accordance with the provisions of relevant laws and regulations;
- (ii) given that the Company is independent from COSCO SHIPPING in terms of its assets, business, personnel, finance etc., COSCO SHIPPING will continue to ensure the independence of the Company and fully respect the operational autonomy of the Company. The Group shall decide according to the actual needs of business as to the financial business to be conducted with COSCO SHIPPING Finance upon fulfilling the internal procedures stipulated in the relevant laws and regulations and the Articles of Association of the Company and in compliance with the relevant conditions stipulated by the NFRA;
- (iii) in respect of the deposits placed by the Group through the deposit services under the 2024 Financial Services Framework Agreement, use its best endeavors and take all reasonable steps to guarantee that COSCO SHIPPING Finance will use such deposits primarily for the purpose of facilitating the fund transfer services and entrustment loan services for the Group;
- (iv) bear all the losses incurred by the Group due to the failure of performing the obligations under the 2024 Financial Services Framework Agreement by COSCO SHIPPING Finance, including but not limited to, the deposit amount, interest and the relevant expenses incurred, within ten business days after such failure occurs; and
- (v) guarantees to ensure strict compliance with the relevant rules of the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Articles of Association of the Company and other provisions of the company management system, to exercise shareholders' rights and perform shareholders' obligations on an equal footing with other shareholders, not to exploit the position of a controlling shareholder for improper interests, and not to prejudice the legitimate rights and interests of the Company and other shareholders.

Based on the aforesaid and our review on the Interest Rate Comparison as mentioned above, we consider that the Company has followed the internal control measures by obtaining at least three quotations before placing deposits with COSCO SHIPPING Finance and hence, we concur with the Directors' view that, with the aforementioned internal control

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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measures being taken place, and with the guarantee letter issued by COSCO SHIPPING as mentioned above, the Group is able to ensure the deposit services are to be provided on normal commercial terms or better and the Group's interests can be sufficiently safeguarded. As such, we concur with the view of the Directors that the terms of the 2024 Financial Services Framework Agreement are entered into on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### 2.3 Proposed annual caps for the 2024 Financial Service Framework Agreement

The proposed annual caps for the deposit services contemplated under the 2024 Financial Services Framework Agreement for the three years ending 31 December 2027 are as follows:

	Proposed annual caps		
	for the year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Deposit services</b>			
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance <sup>Note</sup>	14,000,000	14,000,000	14,000,000

*Note:* The aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance represents the sum of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance during the relevant year, but such maximum daily outstanding balance of deposits with COSCO SHIPPING Finance has fallen on a different date.

As advised by the Directors, the above proposed annual caps were determined with reference to (i) the historical aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) for the two years ended 31 December 2023 and the nine months ended 30 September 2024; (ii) the Group's expectation of its capital needs for the period from now up to 31 December 2027; and (iii) COSCO SHIPPING Finance's financial ability.

As set out in the Letter from the Board, the historical figures of the aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance for the two years ended 31 December 2023 and the nine months ended 30 September 2024 were approximately RMB3.7 billion, RMB3.9 billion and RMB3.9 billion, respectively.

We note that the proposed annual caps for the deposit services under the 2024 Financial Services Framework Agreement is substantially higher than the historical transaction amounts for the two years ended 31 December 2023 and the nine months ended 30 September 2024. We have enquired and reviewed the basis and assumptions adopted by the management of the Company in arriving the proposed annual caps for the three years ending 31 December 2027 and note that the potential growth in business operations as well as the financing needs for the coming three years may boost the demand on the deposit services by the Group.

As advised by the management of the Company, we understand that the Group expected to further expand its operations given the optimistic outlook on the oil and LNG demand worldwide in the coming years. According to the 2024 Interim Report, we note that despite the growth rate of oil consumption shows signs of slowing down, global oil demand is expected to maintain a growth

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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trend and hence the transportation demand will also increase. We have reviewed a publication published by OPEC in September 2024, namely “World Oil Outlook 2050” (<https://publications.opec.org/woo/chapter/129/2356>) and note that oil demand will grow from 102.2 million barrel per day in 2023 to 109.6 million barrel per day in 2027. In respect of LNG demand, according to the 2024 Interim Report, in the medium to long term, the outlook for LNG trade remains positive. The current global LNG production capacity is about 485.3 million tons/year, and it is expected to reach nearly 826.4 million tons/year in 2029, with an average compound annual growth rate of approximately 11%. Further, there is an increase in the number of long-distance LNG trading projects which in turn will also benefit the LNG shipping market. In light of the aforesaid, we concur with the view of the Directors that the business operations may expand in the coming three years and hence the demand of the deposit services is also expected to increase.

To cope with the business expansions as mentioned above, the Company has also entered several contracts in relation to the construction of vessels to replace old vessels. Based on the information provided by the management of the Company and the announcements of the Company dated 12 May 2022, 25 July 2023, 31 August 2023, 29 December 2023 and 13 September 2024, the Company plans to construct new vessels from 2025 to 2027 and the majority of which will be delivered in 2027. The settlement of the new vessels along with the disposal of the old vessels may also boost the demand of the deposit services.

In respect of the financing needs, we have reviewed the 2023 Annual Report and the 2024 Interim Report and noted that there is a significant cash inflow and/or outflow from its operating activities, investing activities and financing activities. During the FY2023, the net cash inflow from operating activities amounted to approximately RMB8.6 billion while the net cash outflow from investing activities and financing activities amounted to approximately RMB4.6 billion and RMB2.7 billion, respectively. For the 6M2024, the net cash inflow from operating activities amounted to approximately RMB3.6 billion while the net cash outflow from investing activities and financing activities amounted to approximately RMB4.3 billion and RMB671 million, respectively. In addition, based on our discussion with the management of the Company, we understand that it is common for the Company to raise new borrowings for working capital as well as replacing the old borrowings given the oil shipping industry is capital intensive. According to the 2023 Annual Report, the cash generated from the interest-bearing bank and other borrowings and repayment of interest-bearing bank and other borrowings amounted to RMB11.2 billion and RMB11.7 billion for FY2023, respectively. Together with the expected increase in business operations in the coming three years, the demand on working capital and hence the fund raised from the borrowings may also increase which in turn may boost the demand of the deposit services.

Further, as advised by the management of the Company, as at the Latest Practicable Date, most of the cash is deposited within COSCO SHIPPING Finance and it is the Group’s intention to continue to centralise its subsidiaries as well as joint ventures’ capital with an aim to increase management efficiency. As such, taking into consideration that (i) the potential business expansion of the Group; (ii) the settlement of the newly built vessels in the coming three years; and (iii) the demand on the working capital and the borrowings will also increase along with the business expansion, it is expected that there will be an increasing demand on the deposit services from COSCO SHIPPING Finance, and hence we concur with the Directors’ view that the proposed annual caps for the deposit services will better accommodate the current cash and cash equivalents balance and provide an option for the Group to flexibly manage its surplus cash from operation in the future.

In light of the above, we are of the view that the proposed annual caps for the deposit services under the 2024 Financial Services Framework Agreement for the three years ending 31 December 2027 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **3. THE 2024 VESSEL SERVICES FRAMEWORK AGREEMENT, 2024 SEA CREW FRAMEWORK AGREEMENT AND 2024 SERVICES FRAMEWORK AGREEMENT**

#### **3.1 Reasons for and benefits of the provision of Shipping Materials and Services, Crew Services and Miscellaneous Services by members of COSCO SHIPPING Group to the Group under the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement**

Certain members of COSCO SHIPPING Group have been providing the necessary supporting shipping materials and services, crew services and miscellaneous services to the Group since the Group's establishment. The Shipping Materials and Services, the Crew Services and the Miscellaneous Services transactions are essential to the businesses and operations of the Group.

The terms of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement are the same as the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement, respectively and have been arrived at after arm's length negotiations. The Board believes that securing the Shipping Materials and Services, the Crew Services and the Miscellaneous Services from the COSCO SHIPPING Group, who is an experienced service provider in the shipping industry, and/or its associates will strengthen the competitiveness of the Group.

In addition, we have reviewed the relevant internal control measures, in particular, (i) the Group will obtain quotations from three independent third party suppliers/service providers for the provision of such materials and/or services and compare the quotations provided by COSCO SHIPPING Group and/or its associates against those quotation; (ii) the quotations will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by COSCO SHIPPING Group and/or its associates to the Group are consistent with the respective pricing policy; and (iii) the Company has established a team responsible for reviewing the actual transaction amounts between the Group and COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

In addition, the auditors of the Company will report on the continuing connected transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement; and (iii) have exceeded the proposed caps under the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement. Therefore, we concur with the Directors' view that, with the abovementioned internal control measures being taken place, the Group is able to ensure the relevant services received by the Group from the COSCO SHIPPING Group and/or its associates under the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreements are to be provided on normal commercial term or better and the Group's interest can be sufficiently safeguarded.

Having considered the above, we concur with the view of the Directors that the entering into the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement is in the usual and ordinary course of business of the Group and in the interests of the Group and the Shareholders as a whole.

**3.2 Principal terms of the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement**

***3.2.1 Principal terms of the 2024 Vessel Services Framework Agreement***

The principal terms of the 2024 Vessel Services Framework Agreement have been set out in the Letter from the Board and are summarised below.

Date: 30 October 2024 (after trading hours)

Parties: COSCO SHIPPING  
The Company

*Shipping Materials and Services to be provided*

Pursuant to the 2024 Vessel Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, of which the details are set out below:

- (1) supply of marine lubricant;
- (2) supply of shipping fuel;
- (3) supply of shipping materials and relevant repair services;
- (4) ship management, ship safety management and technical consultation services;
- (5) painting and paint maintenance services;
- (6) ship repair, special coating, technical improvements services, fire control and safety equipment services;
- (7) supply of ship spare parts;
- (8) electrical, electrical engineering, telecommunication and navigation equipment services;
- (9) supply and repair of ship equipment;
- (10) ship supervision technology services;
- (11) related services for sale and purchase of ships, accessories and equipment;
- (12) ship and related business insurance and insurance brokerage services;
- (13) ship and shipping agency services;
- (14) shipping services and ship charter services; and
- (15) other miscellaneous ship services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Pricing policy and its fairness and reasonableness*

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. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of shipping materials and/or services in their ordinary course of business in the same or neighboring areas under normal commercial terms. The above market price will usually be based on historical quotations from independent third parties in the past three years or price levels disclosed by government or third-party trading platforms (if applicable). Further, the price chargeable and the terms offered by the Group for the provision of the Shipping Materials and Services to the COSCO SHIPPING Group and/or its associates shall be no more favorable than the price and terms offered by the Group to independent third parties for similar type of shipping materials and/or services. The price chargeable and the terms offered by the COSCO SHIPPING Group and/or its associates for the provision of the Shipping Materials and Services to the Group shall be no less favorable to the Group than the price and terms received by the Group from independent third parties for similar type of shipping materials and/or services.

We have reviewed the 2024 Vessel Services Framework Agreement and noted that the pricing policy of the receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group are the same as those stipulated in the Existing Shipping Materials and Services Framework Agreement. As advised by the management of the Company, we noted that the major type of the Shipping Materials and Services to be provided to Group are (i) fuel; (ii) shipping materials and relevant ship repair services and (iii) ship and shipping agency services and ship and related business insurance and insurance brokerage services. In order to assess the fairness and reasonableness of the pricing policy, we have, based on the lists of transactions on the Shipping Materials and Services received by the Group from COSCO SHIPPING Group in 2024, randomly selected, obtained the necessary documentations and compared the terms of (i) one contract and/or quotation from COSCO SHIPPING Group and (ii) one respective contract and/or quotation from the independent third parties or market price for each of the aforesaid major type of the Shipping Materials and Services with similar specifications which are entered and/or quoted in 2024. We consider that the aforesaid sample contracts and/or quotations reviewed are fair and representative as those (i) are entered and/or quoted in 2024 which is within the last year period of the Existing Shipping Materials and Services Framework Agreement and (ii) cover the major type of the receipt of the Shipping Materials and Services. Based on our review, we note that the terms of the contracts and/or quotation with COSCO SHIPPING Group are no less favourable than that of the contracts and/or quotation with independent third parties. In addition, we have reviewed 2023 Annual Report and noted that both the auditor and the independent non-executive directors confirmed that, among others, the terms of the Shipping Materials and Services were conducted on normal commercial terms and in accordance with the pricing policies. As such, we are of the view that the abovementioned transactions followed the pricing policy as stipulated under the Existing Materials and Services Framework Agreement.

Based on the above, and the fact that (i) the pricing policy under the 2024 Vessel Services Framework Agreement is the same as that of the Existing Materials and Services Framework Agreement; and (ii) the internal control policies are in place, we are of the view that the fees to be charged under the 2024 Vessel Services Framework Agreement will be on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *3.2.2 Principal terms of the 2024 Sea Crew Framework Agreement*

The principal terms of the 2024 Sea Crew Framework Agreement have been set out in the Letter from the Board and are summarised below.

Date : 30 October 2024 (after trading hours)

Parties : COSCO SHIPPING (as provider of services)  
The Company (as recipient of services)

#### *The Crew Services to be provided*

Pursuant to the 2024 Sea Crew Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group with the Crew Services, which include the crew management, training, hiring and related services.

#### *Pricing policy and its fairness and reasonableness*

The fees for the Crew Services will be determined by reference to the prevailing market price for similar type of crew services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of crew services in their ordinary course of business in the same or neighboring areas under normal commercial terms. The above market price will usually be based on historical quotations from independent third parties in the past three years or price levels disclosed by government or third-party trading platforms (if applicable). Further, the terms offered by the COSCO SHIPPING Group (and/or its associates) of the Crew Services shall be (i) no less favorable than the terms offered by the COSCO SHIPPING Group (and/or its associates) to independent third parties for similar type of crew services; and (ii) no less favorable than the terms received by the Group of the Crew Services from independent third parties for similar type of crew services.

We have reviewed the 2024 Sea Crew Framework Agreement and noted that the pricing policy of the receipt of the Crew Services by the Group from the COSCO SHIPPING Group are the same as those stipulated in the Existing Sea Crew Framework Agreement. In order to assess the fairness and reasonableness of the pricing policy, we have, based on the lists of transactions on the Crew Services received by the Group from COSCO SHIPPING Group in 2024, randomly selected, obtained necessary documentations and reviewed (i) a contract entered into between the Group and the COSCO SHIPPING Group for the Crew Services and (ii) two contracts entered into between the COSCO SHIPPING Group and the independent third parties for the Crew Services, which are all entered in 2024. We consider that the aforesaid sample contracts reviewed are fair and representative as those are entered in 2024 which is within the last year period of the Existing Sea Crew Framework Agreement. Based on our review, we note that the terms of the contracts entered into between the Group and the COSCO SHIPPING Group are no less favourable than that of the contracts entered into between the COSCO SHIPPING Group and the independent third parties. Further, we have reviewed 2023 Annual Report and noted that both the auditor and the independent non-executive directors confirmed that, among others, the terms of the Crew Services were conducted on normal commercial terms and in accordance with the pricing policies. As such, we are of the view that the abovementioned transactions followed the pricing policy as stipulated under the Existing Sea Crew Framework Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, and the fact that (i) the pricing policy under the 2024 Sea Crew Framework Agreement is the same as that of the Existing Sea Crew Framework Agreement; and (ii) the internal control policies are in place, we are of the view that the fees to be charged under the 2024 Sea Crew Framework Agreement will be on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### ***3.2.3 Principal terms of the 2024 Services Framework Agreement***

The principal terms of the 2024 Services Framework Agreement have been set out in the Letter from the Board and are summarised below.

Date : 30 October 2024 (after trading hours)

Parties : COSCO SHIPPING (as provider of services)  
The Company (as recipient of services)

#### *The Miscellaneous Services to be provided*

Pursuant to the 2024 Services Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group or the associates of the Company with the Miscellaneous Services, of which the details are set out below:

- (1) computer and software maintenance services;
- (2) accommodation, transportation and conference services;
- (3) sale reception and employee catering services;
- (4) supply of office supplies and labour supplies;
- (5) vehicle rentals, repair, maintenance and chauffeur services;
- (6) office equipment maintenance, property management, back office management and file management services;
- (7) property leasing management services;
- (8) printing, printer maintenance services and paper supply services;
- (9) assistance to marine claims;
- (10) medical services;
- (11) training services;
- (12) courier and gardening services; and
- (13) other miscellaneous services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Pricing policy and its fairness and reasonableness*

The fees for the Miscellaneous Services will be determined by reference to the prevailing market price for similar type of services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of services in their ordinary course of business in the same or neighboring areas under normal commercial terms. The above market price will usually be based on historical quotations from independent third parties in the past three years or price levels disclosed by government, third-party trading platforms or trading agents (if applicable). Further, the terms offered by the COSCO SHIPPING Group (and/or its associates) of the Miscellaneous Services shall be no less favorable than the terms received by the Group of the Miscellaneous Services from independent third parties for similar type of services.

We have reviewed the 2024 Services Framework Agreement and noted that the pricing policy of the receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group are the same as those stipulated in the Existing Services Framework Agreement. As advised by the management of the Company, we noted that the major type of the Miscellaneous Services to be provided to the Group are (i) computer and software system maintenance service; (ii) property services; and (iii) education and training service. In order to assess the fairness and reasonableness of the pricing policy, we have, based on the lists of transactions on the Miscellaneous Services received by the Group from COSCO SHIPPING Group in 2024, randomly selected, obtained necessary documentations and reviewed (i) one contract entered into between the Group and the COSCO SHIPPING Group for each of (a) computer and software system maintenance service and (b) property service and (ii) one respective quotation entered into between the COSCO SHIPPING Group and the independent third parties for each of the (a) computer and software system maintenance service and (b) property services with similar specifications. We note that the terms of the contracts entered into between the Group and the COSCO SHIPPING Group are no less favourable than that of the quotations between the COSCO SHIPPING Group and the independent third parties. In respect of the education and training service, we have reviewed the internal approval document and noted that the Company has engaged two independent third parties after comparing the terms offered by the COSCO SHIPPING Group. We consider that the aforesaid sample contracts and/or quotations reviewed are fair and representative as those contracts and/or quotations are (i) entered into in 2024 which is within the last year period of the Existing Services Framework Agreement and (ii) cover each of the major type of the Miscellaneous Services receipted under the Existing Services Framework Agreement. Further, we have reviewed 2023 Annual Report and noted that both the auditor and the independent non-executive directors confirmed that, among others, the terms of the Miscellaneous Services were conducted on normal commercial terms and in accordance with the pricing policies. As such, we are of the view that the abovementioned transaction followed the pricing policy as stipulated under the Existing Services Framework Agreement.

Based on the above, and the fact that (i) the pricing policy under the 2024 Services Framework Agreement is the same as that of the Existing Services Framework Agreement; and (ii) the internal control policies are in place, we are of the view that the fees to be charged under the 2024 Services Framework Agreement will be on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.3 Proposed annual caps contemplated under the 2024 Vessel Services Framework Agreement, 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement

#### 3.3.1 Proposed annual caps for the receipt of the Shipping Materials and Services

The proposed annual caps for the receipt of Shipping Materials and Services for the three years ending 31 December 2027 for the below continuing connected transactions under the 2024 Vessel Services Framework Agreement are as follows:

	For the year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed annual caps for the receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	11,500,000	11,500,000	11,500,000

These annual caps have been determined based on the actual amounts paid by the Group under the Existing Materials and Services Framework Agreement for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024, management's estimates of fleet operational costs over the next three years ending 31 December 2027 and management's estimates of the market prices and other relevant market developments.

For the two years ended 31 December 2023 and the nine months ended 30 September 2024, the amounts of the Shipping Materials and Services provided to the Group under the Existing Shipping Materials and Services Framework Agreements were approximately RMB6.8 billion, RMB6.8 billion and RMB5.3 billion, respectively.

We have obtained and reviewed the computation prepared by the Company in arriving the proposed annual caps for the receipt of Shipping Materials and Services for the three years ending 31 December 2027 and note that it consists the receipt of Shipping Materials and Services for (i) the Group's wholly-owned fleets which accounts for over 90% of the proposed annual caps for each of the three years ending 31 December 2027 and (ii) the Group's non-wholly-owned fleets.

For the Group's wholly-owned fleets, we understand that the receipt of Shipping Materials and Services for each of the three years ending 31 December 2027 are the supply of (i) fuel; (ii) shipping materials and ship repair services; and (iii) ship and shipping agency services and ship and related business insurance and insurance brokerage services from COSCO SHIPPING Group and/or its associates for the Group's wholly-owned fleets.

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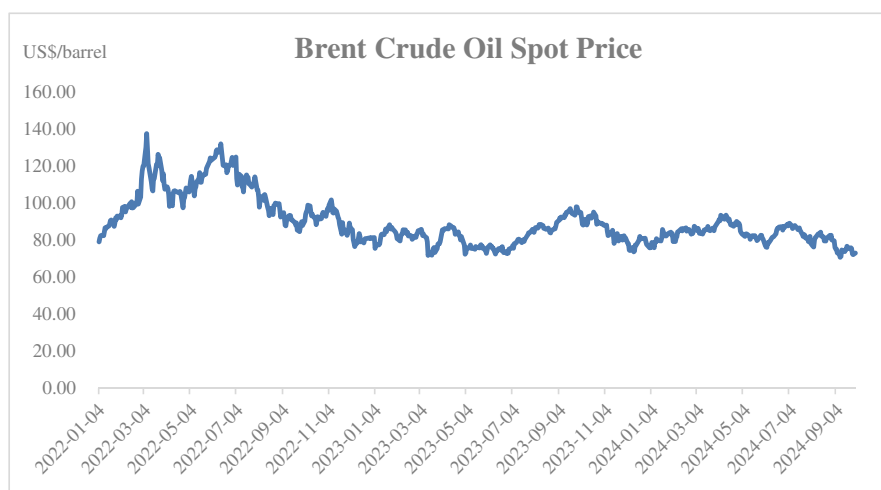
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### *Supply of fuel*

As advised by the management of the Company, the costs for fuel purchase are based on (i) fuel consumption in accordance to the estimated wholly-owned fleet size of the Group and vessels operated by the Group through CHINA POOL in the coming three years; and (ii) the estimated fuel price.

Regarding the fuel consumption, after our discussion with the management of the Company, we are given to understand that the Group will consume approximately 1.37 million tonnes, 1.39 million tonnes and 1.43 million tonnes of fuel for the three years ending 31 December 2027, respectively which is estimated based on the wholly-owned fleet size of the Group and vessels operated by the Group through CHINA POOL for the three years ending 31 December 2027. Based on the information provided by the Company, the fuel consumption for each of the two years ended 31 December 2023 and the nine months ended 30 September 2024 are 1.01 million tonnes, 1.07 million tonnes and 0.84 million tonnes, respectively.

Regarding the fuel price, we note that estimated fuel price so adopted in arriving the proposed annual caps for the three years ending 31 December 2027 is higher than the existing fuel price level by more than 30%. We have enquired with the management of the Company regarding the basis and assumption adopted on the estimated fuel price for the three years ending 31 December 2027 and understand that they have made reference to the historical fluctuations of the fuel price for the past three years (i.e. from 2022 to 2024). In assessing the fairness and reasonableness on the increasing estimated fuel price, we have reviewed the historical price level of Brent crude oil from January 2022 and up to September 2024 and set out the chart as below:



*Source: Wind*

From the chart above, we note that the price of crude oil fluctuated significantly during the period from a low of approximately US\$70.8 per barrel on 10 September 2024 to a high of approximately US\$137.7 per barrel on 8 March 2022, with a fluctuation of more than 90%. In addition, we also understand from the management of the Company that in estimating the fuel price adopted in arriving the proposed annual cap, the Company has taken consideration into the potential effect

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on (i) the continuing oil production cut from OPEC; (ii) the global oil demand is still growing; and (iii) the continuing geopolitical conflicts, especially (a) between Russia and Ukraine and (b) in the Middle East. It is expected that the abovementioned scenario may largely affect the fluctuations of the oil price and hence the price level of fuel. As such, having considered the aforesaid and the historical fluctuations of the oil price over the past three year, we concur with the Directors' view that the basis and assumptions so adopted in estimating the fuel price is fair and reasonable.

Accordingly, we are of the view that the costs of fuel purchases are determined based on reasonable estimation and after due and careful consideration.

### *Supply of shipping materials and ship repair services*

In respect of the supply of shipping materials from COSCO SHIPPING Group to the Group, we have reviewed the basis and assumptions prepared by the Company and noted that the majority of the shipping materials to be purchased are (i) shipping materials and relevant repair services; (ii) painting and paint maintenance services; (iii) ship spare parts; and (iv) telecommunication and navigation equipment services. We have discussed with the management of the Company and noted that such costs are determined based on (i) the relevant actual costs in 2023; and (ii) the estimated wholly-owned fleet size of the Group for each of the three years ending 31 December 2027. In addition, we note that costs on the purchase of painting and paint maintenance services will decrease for the year ending 31 December 2027. We understand that from 2024 and until 2026, the Group commence to upgrade the paints for its fleets and hence a higher purchase costs on the painting and paint maintenance services will be recorded. As the paint upgrade will be substantially completed in 2027, the costs on the shipping materials will be reduced accordingly.

In respect of the ship repair services, we have reviewed the computation and the basis and assumptions prepared by the Company in arriving the costs of ship repair services for the three years ending 31 December 2027 and understand that the Company has taken into account (i) its ships repairment plan from 2025 to 2027; and (ii) the installation of desulfurization system on the ships. Based on the information provided by the management of the Company, we understand that 2025 will be a major year for the ships repairment and 64, 38 and 45 ships will be under repairment for the three years ending 31 December 2027, respectively. In addition, in 2025 and 2026, the Group will install desulfurization systems on its large ships. As the ship repairment will mainly occur in 2025 and together with retirement of old ships, the costs of ship repair services will decrease gradually in 2026 and 2027.

Taking into consideration of the aforesaid, we are of the view the basis and assumptions adopted by the Company in estimating the costs of shipping materials and ship repair services provided by COSCO SHIPPING Group and/or its associates for the three years ending 31 December 2027 are fair and reasonable and after due and careful consideration.

### *Ship and shipping agency services and ship and related business insurance and insurance brokerage services*

We have reviewed the basis and assumptions prepared by the Company in arriving the costs of ship and shipping agency services and ship and related business

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insurance and insurance brokerage services for the three years ending 31 December 2027 and we note that such costs are determined based on (i) the relevant actual costs in 2022 and 2023; (ii) the estimated fleet size of the Group for each of the three years ending 31 December 2027; and (iii) a reasonable buffer of 5% annually to cater for unexpected fluctuation of market prices and change in specifications which is taken into consideration the growing demand on oil and LNG in the coming three years and hence the surging demand on oil transportation which in turn will increase the demand on the shipping agency services and insurance brokerage services. As such, we consider the basis and assumption adopted in determining the buffer is fair and reasonable. Taking into consideration of the aforesaid, we are of the view the basis adopted in estimating the costs of ship and shipping agency services and ship and related business insurance and insurance brokerage services for the three years ending 31 December 2027 are fair and reasonable and after due and careful consideration.

For the receipt of Shipping Materials and Services by the Group's non-wholly-owned fleets, we have reviewed the basis and assumptions adopted in arriving the proposed annual caps for the three years ending 31 December 2027 and understand that such costs are determined based on (i) the relevant actual costs in 2023; and (ii) the estimated non-wholly owned fleet size of the Group for each of the three years ending 31 December 2027.

In light of the above, we are of the view that the proposed annual caps for the Shipping Materials and Services under the 2024 Vessel Services Framework Agreement for the three years ending 31 December 2027 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### **3.3.2 Proposed annual caps for the Crew Services**

The proposed annual caps for the receipt of Crew Services for the three years ending 31 December 2027 under the 2024 Sea Crew Framework Agreement are as follows:

	<b>For the year ending 31 December</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Proposed annual caps for the receipt of Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	2,600,000	2,600,000	2,600,000

The above proposed annual caps were determined with reference to (i) actual amounts paid by the Group under the Existing Sea Crew Framework Agreement for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024, management's estimates of fleet operational costs, which are based on the estimated fleet size of the Group and the potential salary increment for the crew members, over the next three years ending 31 December 2027 and management's estimates of the market prices and other relevant market developments.

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For the two years ended 31 December 2023 and the nine months ended 30 September 2024, the amounts of the Crew Services provided to the Group under the Existing Sea Crew Framework Agreement were approximately RMB2.1 billion, RMB2.2 billion and RMB1.7 billion, respectively.

We have obtained and reviewed the basis and assumptions prepared by the Company in arriving the proposed annual caps of the Crew Services for the three years ending 31 December 2027 and note that it consists provision of the Crew Services to (i) the Group's wholly-owned fleets which accounts for over 80% of the proposed annual caps for each of the three years ending 31 December 2027 and (ii) the Group's non-wholly-owned fleets.

For the Group's wholly-owned fleets, we understand that the receipt of the Crew Services for each of the three years ending 31 December 2027 are estimated based on (i) the estimated wholly-owned fleet size of the Group for the coming three years; (ii) the potential salary increment for the crew members.

Based on the information provided by the management of the Company, it is expected that the Group will wholly-own 127, 124 and 123 oil tankers for the three years ending 31 December 2027, respectively and hence the number of crew members required are estimated. According to the information provided by the Company, the Group wholly-owned 134, 130 and 128 oil tankers for each of two years ended 31 December 2023 and the nine months ended 30 September 2024, respectively.

In respect of the potential salary increment for the crew members, we note that an increment of 10% per annum to the salaries of the crew members for each of the three years ending 31 December 2027. We have enquired with the management of the Company regarding the basis and assumption on the potential salary increment for the crew members for the three years ending 31 December 2027 and understand that the management of the Company has made reference to the historical salary increment of the crew members from 2020 to 2024. Based on the information provided by the management of the Company, we note that since 2020, the costs of crew members increased by approximately 37%, which was mainly due to (i) a salary increment of approximately 21% as the Group implemented a salary reform on the structure of crew members; (ii) a salary increment of approximately 13% as the Group implemented a temporary job subsidy for crew members in 2021 with an aim to stabilize the crew members and narrow the salary gap between the Group and the market as the salaries in the Chinese crew market increased significantly due to the impact of the COVID-19 pandemic; and (iii) a salary increment of approximately 3% in 2024 as a result of adjustment of the calculation on fixed overtime pay for crew members. We also understand from the management of the Company that the salary of crew members will be largely affected by external environment and national policies. Taking into consideration of (i) the aforementioned historical salary increment for the crew members; and (ii) the global oil demand is still growing and the continuing geopolitical conflicts which may drive up the costs of oil transportation including the costs of crew members, we consider that the basis and assumptions so adopted in estimating the salary increment of the crew members is fair and reasonable.

For the receipt of Crew Services by the Group's non-wholly-owned fleets, we have reviewed the basis and assumptions adopted in arriving the proposed annual caps for the three years ending 31 December 2027 and understand that such costs are determined based on (i) the relevant actual costs in 2023; and (ii) the estimated non-wholly owned fleet size of the Group for each of the three years ending 31 December 2027.

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In light of the above, we are of the view that the proposed annual caps for the Crew Services under the 2024 Sew Crew Framework Agreement for the three years ending 31 December 2027 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### *3.3.3 Proposed annual caps for the Miscellaneous Services*

The proposed annual caps for the receipt of Miscellaneous Services for the three years ending 31 December 2027 under the 2024 Services Framework Agreement are as follows:

	For the year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed annual caps for the receipt of Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	150,000	150,000	150,000

These annual caps have been determined based on the actual amounts paid by the Group under the Existing Services Framework Agreement for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024, management's estimates of the market prices and other relevant market developments, and also the estimated increase in the Group's demand for computer and software maintenance services.

For the two years ended 31 December 2023 and the nine months ended 30 September 2024, the historical transaction amounts of the Miscellaneous Services provided to the Group under the Existing Services Framework Agreement were approximately RMB60.10 million, RMB57.69 million and RMB52.74 million, respectively.

We have obtained and reviewed the computation prepared by the Company in arriving the proposed annual caps for the Miscellaneous Services for the three years ending 31 December 2027 and note that the receipt of (i) computer and software system maintenance service; (ii) property services; and (iii) education and training service are expected to account for a vast majority of the proposed annual caps for the three years ending 31 December 2027.

Based on the computation prepared by the Company, it is expected that the Company will incur approximately RMB70 million annually for the computer and software system maintenance services. As discussed with the management of the Company, we are given to understand that it is essential for the Company to constantly upgrade the shipping software system and as such the major focus are on shipping software system, including shipping, navigational platform, emergency command system and communication system etc., to support the service provided by shipping research institute. Based on our discussion with the management of the Company, we are given to understand that annual maintenance and upgrade is required for the aforesaid computer and software system. It is expected that the annual maintenance and upgrade of the shipping software system will cost approximately

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RMB37 million which are estimated with reference to historical transaction amounts. Further, based on our discussion with the management of the Company and review on the 2024 Interim Report, we understand that the Company intends to accelerate digital upgrading and scientific and technological innovation fostering with key focus on navigation safety, equipment safety, cost control and other key points, so as to promote the second phase of the ship intelligent management platform project. At the same time, the Group will also accelerate the digital construction of compliance risk control as well as the digitalization of integrated management system, the construction of customer service and management system, and the construction of the LNG operation platform as well as CHINA POOL platform. As such, the Group intends to invest of approximately RMB22 million in computer and software system annually in the coming three years.

In respect of property services, based on our discussion with the management of the Company, we are given to understand that such services will be provided for the Group's headquarters and it is expected that the Group will incur approximately RMB34 million annually which is estimated with reference to the actual historical amounts.

In respect of the education and training services, as advised by the management of the Company, we are given to understand that the Group intends to support the development of China COSCO SHIPPING Institute of Talents Development\* (中國遠洋海運人才發展院), an institute which are directly affiliated to COSCO SHIPPING Group which mainly provides education and training to shipping talents and sea crews. Hence it is expected the Group will incur approximately RMB9.6 million annually for education and training services.

We also note from the computation that a buffer of approximately 23% is included in arriving the proposed annual cap for each of the three years ending 31 December 2027. We have enquired with the management of the Company and understand that the buffer is included for the expected Miscellaneous Services to be received by the proposed acquisition targets. We have reviewed the announcement of the Company dated 14 October 2024 and note that the Group proposed to acquire five companies and two vessels from COSCO SHIPPING Group (the "**Acquisition Targets**"). As advised by the management of the Company, upon completion of the acquisition, the Acquisition Targets will receive the Miscellaneous Services and the extent of the receipt of the Miscellaneous Services by the Acquisition Targets is still uncertain. As such, it is the intention of the management of the Company to include a higher buffer with an aim to allow more flexibility for the receipt of the Miscellaneous Services by the Acquisition Targets. Based on the aforesaid, we concur with the view of the Directors that the inclusion of a buffer in arriving the proposed annual caps for the Acquisition Targets is fair and reasonable.

Given the COSCO SHIPPING Group is the parent company of the Group which has thorough understanding on the operation and business needs of the Group, we concur with the view of the Directors that it is justifiable to receive the Miscellaneous Services from COSCO SHIPPING Group rather than from independent third parties and hence the inclusion of such purchases in the proposed annual caps for the three years ending 31 December 2027 is fair and reasonable.

In light of the above, we are of the view that the proposed annual caps for the Miscellaneous Services under the 2024 Services Framework Agreement for the three years ending 31 December 2027 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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### RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that the entering into of the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests on the Company and the Shareholders as a whole, and the terms of the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreements, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2024 Financial Services Framework Agreement, the 2024 Vessel Services Framework Agreement, the 2024 Sea Crew Framework Agreement and the 2024 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Goldlink Capital (Corporate Finance) Limited**  
**Vincent Cheung**  
*Managing Director*

*Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Goldlink Capital (Corporate Finance) Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has more than 15 years of experience in corporate finance industry.*

*\* for identification purposes only*

## 1. CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2024, the audited consolidated financial statements of the Group for the years ended 31 December 2021, 2022 and 2023 together with the relevant notes to the financial statements of the Group are disclosed in the following documents, which has been published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([energy.coscoshipping.com](http://energy.coscoshipping.com)):

the interim report of the Company for the six months ended 30 June 2024 (pages 40 to 92):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0920/2024092000868.pdf>

the annual report of the Company for the year ended 31 December 2023 (pages 105 to 225):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042402234.pdf>

the annual report of the Company for the year ended 31 December 2022 (pages 107 to 236):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042502285.pdf>

the annual report of the Company for the year ended 31 December 2021 (pages 107 to 237):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900260.pdf>

## 2. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

The Company has obtained the working capital sufficiency confirmation letter from its auditor as required under Rule 14.66(12) of the Listing Rules.

## 3. FINANCIAL EFFECTS

The deposits to be placed with COSCO SHIPPING Finance under the 2024 Financial Services Framework Agreement for each of the three years ending 31 December 2027 are expected not to exceed RMB14,000,000,000 per year. The Company expects that the interest income to be earned from the deposits will be affected by the level of interest rates. However, taking into account the prevailing interest rates for deposits in the PRC, the potential interest income to be earned from the deposit services for the three years ending 31 December 2027 is expected to represent an insignificant portion of the Group's earnings and assets. As such, the Company anticipates that such potential interest income to be earned from the deposit services under the 2024 Financial Services Framework Agreement for the three years ending 31 December 2027 will not have any material impact on the Group's earnings, assets and liabilities.

#### 4. INDEBTEDNESS OF THE GROUP

As at 31 October 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately RMB30,542 million. Details of the total indebtedness are summarized below:

	<b>Total</b> <i>RMB'000</i>	<b>Secured</b> <i>RMB'000</i>	<b>Unsecured</b> <i>RMB'000</i>
Interest-bearing bank and other borrowings	29,576,156	18,402,567	11,173,589
Other loans	965,730	–	965,730

All borrowings were unguaranteed.

As at 31 October 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total lease liabilities of approximately RMB1,192 million.

As at the close of business on 31 October 2024, the Group pledged the following assets for obtaining financing arrangements from banks:

- (i) property, plant and equipment with total carrying amounts of approximately RMB27,259 million;
- (ii) a financial asset at fair value through other comprehensive income of approximately RMB393 million; and
- (iii) restricted bank deposits with total carrying amounts of approximately RMB1 million. At the close of business on 31 October 2024, the Group had following significant contingent liabilities and guarantees:

To secure the obligation of the time charter agreements and loan agreements of associates and joint ventures, as at 31 October 2024, the Group provided corporate guarantees to the charterers for four associates and seven joint ventures of RMB2,106 million and provided corporate guarantees to the banks for three joint ventures of RMB1,883 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2024, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there were no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2024 up to and including the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As of the end of June 2024, the Group held 154 oil tankers with 22.43 million deadweight tons (“DWT”), representing a decrease of 2 vessels with 0.63 million DWT as compared with that as of the end of 2023; and 45 of the LNG carriers with a capacity of 7.55 million cubic meters, for which the Group is involved in investment, have been put into operation. In the first half of 2024, the Group realized a transportation volume (excluding time charters) of 82.65 million tonnes with a year-on-year decrease of 4.1%; transportation turnover (excluding time charters) of 287.4 billion tonne-miles with a year-on-year increase of 7.5%; revenues from principal operations of RMB11.57 billion with a year-on-year increase of 0.8%; cost of principal operations of RMB7.80 billion with a year-on-year increase of 4.5%, and gross profit margin decreased by 2.4 percentage points year-on-year. The net profit attributable to equity holders of the Company was RMB2.63 billion with a year-on-year decrease of 9.0%, and earnings before interest, taxes, depreciation and amortization (EBITDA) of RMB5.71 billion with a year-on-year decrease of 7.6%.

In the first half of 2024, under the complicated and volatile geopolitical circumstances and oil trading landscape, the Group prepared for steady and solid business performance mainly by working on the following six aspects: the first aspect is to constantly enrich the structure of customers and routes, so as to grasp business opportunities in the Atlantic market under the changing global trading landscape, and to strengthen the global vessel layouts; the second aspect is to pursue flexible linkage of domestic and international voyages and scientific domestic-to-international voyage transition, so as to realize an organic integration and overall optimization of domestic and international trading businesses; the third aspect is to consolidate and expand stable co-operation with key customers, while developing new customers and exploring growth points of cargo sources and routes; the fourth aspect is to actively pursue international LNG transportation projects, focusing on developing the capacity of stable efficiency in the LNG segment; the fifth aspect is to actively promote technological innovation, empowering operation and management with digitalization, and roll out the application of eco-friendly materials on board; and the sixth aspect is to persist in the compliance risk control and safety management, and to facilitate the realization of a comprehensive coverage of the compliance management system, so as to strictly ensure the safety of vessels in operation and on voyage.

In the second half of 2024, in the face of the complex and volatile international trade and geopolitical situation, the Group will continue to provide a solid transportation guarantee for the global energy supply chain and continuously improve the customer-oriented global service network. Meanwhile, the Group will closely follow the development trend of the global energy transportation industry chain, optimize and adjust the strategic layout, enhance the business resilience of the Company in the face of changes in the external environment, and promote the steady improvement of sustainable development capabilities.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

- (a) As at the Latest Practicable Date, the interests of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules were as follows:

### (i) Long position in the shares, underlying shares and debentures of the Company

Name	Nature of interest	Class of Shares <sup>(1)</sup>	Number of Shares held as at the Latest Practicable Date <sup>(2)</sup>	Approximate percentage of total number of the relevant class of Shares	Percentage of total number of issued Shares
Zhu Maijin (“Mr. Zhu”)	Beneficial owner	A	102,980 (L)	0.00296%	0.00216%
Zhao Jinsong	Beneficial owner	H	6,000 (L)	0.00046%	0.00013%

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

Name of associated corporation	Name	Nature of interest	Class of Shares <sup>(1)</sup>	Number of Shares held as at the Latest Practicable Date <sup>(2)</sup>	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	36,900 (L)	0.00115%	0.00023%
		Interest of spouse <sup>(3)</sup>	H	2,000 (L)	0.00006%	0.00001%
		Interest of spouse <sup>(3)</sup>	A	8,000 (L)	0.00006%	0.00005%
COSCO SHIPPING Development Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	313,000 (L)	0.00851%	0.00231%
COSCO SHIPPING Ports Limited	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597 (L)	0.00072%	0.00072%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000 (L)	0.04502%	0.04502%

*Notes:*

\* Mr. Ren Yongqiang and Mr. Zhu Maijin are participants of the 2023 A Share Option Incentive Scheme of the Company. On 10 May 2024, Mr. Ren Yongqiang was granted 283,200 share options under the scheme (being approximately 0.008% of the total issued A Shares and 0.006% of the total issued shares of the Company) and Mr. Zhu Maijin was granted 269,300 share options under the scheme (being approximately 0.008% of the total issued A Shares and 0.006% of the total issued shares of the Company), with exercise price of RMB13.00 per A Share and exercise period from 11 May 2026 to 10 May 2031.

(1) A – A shares

H – H shares

(2) L – Long position

(3) 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.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors, Supervisors or chief executive of the Company had any interest or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

- (b) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director</b>	<b>Position held in COSCO SHIPPING and/or its subsidiaries</b>
Ren Yongqiang	the General Manager Assistant of China COSCO Shipping Corporation Limited.
Zhu Maijin	the chairman and the party secretary of the committee of COSCO SHIPPING Investment Dalian Co., Ltd.
Wang Wei	A director of each of COSCO SHIPPING Specialized 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.
Wang Songwen	A full-time external director at direct subsidiaries of China COSCO Shipping Corporation Limited.

### **3. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them was treated as a controlling shareholder of the Company under Rule 8.10 of the Listing Rules.

### **4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any asset which had been, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **5. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

### **6. DIRECTORS' AND SUPERVISORS' INTERESTS IN SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 7. QUALIFICATIONS OF EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and whose opinion or advice is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Goldlink Capital (Corporate Finance) Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Goldlink Capital (Corporate Finance) Limited was not beneficially interested in the share capital of any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Goldlink Capital (Corporate Finance) Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, Goldlink Capital (Corporate Finance) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 10 December 2024 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and reference to its name and opinion in the form and context in which it appears.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened against any member of the Group.

## 9. MATERIAL CONTRACTS

As at the Latest Practicable Date, no member of the Group has entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

## 10. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**11. MISCELLANEOUS**

- (a) The registered office of the Company is located at Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone Lingang Special Area, the PRC.
- (b) The head office and principal place of business of the Company in the PRC is 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.
- (c) The place of business of the Company in Hong Kong is Rooms 3601-3602, 36/F West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (d) The Hong Kong branch share registrar of the Company is Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The secretary of the Company is Ms. Ni Yidan, being a senior economic engineer and a member of The Hong Kong Chartered Governance Institute.
- (f) This circular is in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

**12. DOCUMENTS ON DISPLAY**

Electronic copies of the following documents are published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([energy.coscoshipping.com](http://energy.coscoshipping.com)) for a period of 14 days from the date of this circular (both days inclusive):

- (a) each of the 2024 Framework Agreements;
- (b) the letter from the Independent Financial Adviser, the text of which is set out in pages 40 to 66 of this circular; and
- (c) the written consent from the Independent Financial Adviser referred to in the paragraph headed "7. Qualifications of Expert and Consent" in this Appendix II.

Set out below is the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the three years ended 31 December 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024 (the “**Management Discussion and Analysis**”). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis.

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas shipment and vessel chartering.

### FOR THE SIX MONTHS ENDED 30 JUNE 2024

#### Business and Financial Review

As of the end of June 2024, the Group held 154 oil tankers with 22.43 million DWT, representing a decrease of 2 vessels with 0.63 million DWT as compared with that as of the end of 2023; and 45 of the LNG carriers with a capacity of 7.55 million cubic meters, for which the Group is involved in investment, have been put into operation. In the first half of 2024, the Group realized a transportation volume (excluding time charters) of 82.65 million tonnes with a year-on-year decrease of 4.1%; transportation turnover (excluding time charters) of 287.4 billion tonne-miles with a year-on-year increase of 7.5%; revenues from principal operations of RMB11.57 billion with a year-on-year increase of 0.8%; cost of principal operations of RMB7.80 billion with a year-on-year increase of 4.5%, and gross profit margin decreased by 2.4 percentage points year-on-year. The net profit attributable to equity holders of the Company was RMB2.63 billion with a year-on-year decrease of 9.0%, and earnings before interest, taxes, depreciation and amortization (EBITDA) of RMB5.71 billion with a year-on-year decrease of 7.6%.

In the first half of 2024, under the complicated and volatile geopolitical circumstances and oil trading landscape, the Group prepared for steady and solid business performance mainly by working on the following six aspects:

The first aspect is to constantly enrich the structure of customers and routes, so as to grasp business opportunities in the Atlantic market under the changing global trading landscape, and to strengthen the global vessel layouts; the second aspect is to pursue flexible linkage of domestic and international voyages and scientific domestic-to-international voyage transition, so as to realize an organic integration and overall optimization of domestic and international trading businesses; the third aspect is to consolidate and expand stable co-operation with key customers, while developing new customers and exploring growth points of cargo sources and routes; the fourth aspect is to actively pursue international LNG transportation projects, focusing on developing the capacity of stable efficiency in the LNG segment; the fifth aspect is to actively promote technological innovation, empowering operation and management with digitalization, and roll out the application of eco-friendly materials on board; and the sixth aspect is to persist in the compliance risk control and safety management, and to facilitate the realization of a comprehensive coverage of the compliance management system, so as to strictly ensure the safety of vessels in operation and on voyage.

For the six months ended 30 June 2024, the Group’s cost from principal operations was approximately RMB7.80 billion, representing a year-on-year increase of 4.5%. Reasons of the changes in cost and expenses are mainly due to: (i) oil shipping costs and (ii) LNG shipping costs.

#### *Oil shipping costs*

- (1) Port costs: Port charges decreased by 18.2% year-on-year, mainly due to the year-on-year decrease in domestic fleet capacity layout, and changes in the operating mode of international fleet and route port calls.

- (2) Depreciation: Depreciation increased by 11.5% year-on-year, mainly due to the increase in the depreciation and amortization of ship technical transformation and docking repair and the significant increase in the exchange rate of the U.S. dollar.
- (3) Charter costs: Charter costs increased by 51.6% year-on-year, mainly due to the successive addition of a number of VLCC capacity of CHINA POOL

#### *LNG shipping cost*

- (1) LNG shipping operating costs increased by 11.1% year-on-year, mainly due to the put into operation successively of the Project Vessels for PetroChina's project, and the year-on-year increase of the depreciation, sea crew costs and engine expenses.

#### **Segment results**

The Group had three main operating business segments, namely (i) international oil shipment business, (ii) domestic oil shipping business and (iii) LNG shipping business.

##### *(i) International oil shipment business*

In the first half of 2024, the international tanker fleet of the Group achieved revenue from international oil shipping of RMB7.71 billion, representing a year-on-year increase of 2.0%; gross profit for the segment was RMB2,551 million, representing a year-on-year decrease of 9.9%; and gross profit margin was 33.1%, representing a year-on-year decrease of 4.4 percentage points.

**VLCC fleet:** In the first half of 2024, the freight rates fluctuated frequently and the pace changed rapidly. In order to enhance the overall fleet efficiency, the Group continued to expand the western markets, seized market opportunities to build triangular routes, balanced the layout of eastern and western routes, and maintained the diversification of cargo sources. At the same time, the Group gave full play to the marketing function of its overseas outlets and increased the proportion of high-quality cargo sources for international customers.

**International small and medium-sized fleet:** Faced with structural changes in international oil trade, the Group formulated corresponding business strategies after keeping a close eye on the trend of the market and grasping the market fluctuation window so as to improve its overall operating efficiency, which mainly includes the following:

- (1) The Group deepened the close co-operation with large international oil companies and traders, enhanced the globalization of fleet capacity layout, paid close attention to the expansion of the Trans Mountain pipeline in Canada and proactively took on incremental cargoes. The Group also actively built triangular routes around high-value-added Oceania routes.
- (2) The Group leveraged the advantages of the fleet in both domestic and foreign trade, focused on enhancing efficiency and effectiveness, and implemented domestic-to-foreign coordination based on domestic and foreign trade market dynamics.

##### *(ii) Domestic oil shipping business*

In the first half of 2024, the domestic oil shipping market generally remained stable. The Group recorded domestic oil shipping revenue of RMB2.90 billion with a year-on-year decrease of 4.9%, gross

profit of RMB720 million with a year-on-year decrease of 1.2%, and gross profit margin of 24.8% with a year-on-year increase of 0.9 percentage point. Operational highlights are as follows:

- (1) The Group signed COA contracts with several key customers and locked more than 90% of the base cargo source. The Group also strengthened the development of new customers and the acquisition of long routes, continuously diversifying customer resources and route structure.
- (2) The Group collaborated with industry partners to adjust the pace of fleet capacity layout, promote the optimization of the business ecosystem and ensure the demand for offshore oil shipping capacity. The Group continued to promote the short routes time charter mode, effectively increasing the average TCE of the fleet.

*(iii) LNG shipping business*

In the first half of 2024, the Group realized a net profit attributable to equity shareholders of the Company from the LNG shipping segment of RMB401 million, basically flat year-on-year. Operational highlights are as follows:

- (1) With the LNG long-term contract business as the cornerstone of development, the Group steadily promoted the implementation of LNG shipping projects. During the Reporting Period, CSLNG, a wholly-owned subsidiary of the Group, completed the equity acquisition of seven LNG transportation vessels of Qatar Energy and three LNG transportation vessels of ENN, and CLNG, a joint venture, signed a long-term charter contract with Qatar Energy for two QC MAX ultra-large LNG transportation vessels. As of the end of the Reporting Period, the Group had invested in 85 LNG carriers, representing an increase of 12 vessels as compared to the end of 2023, and the scale of LNG carriers continued to expand.
- (2) Focusing on vessel management, the Group further enhanced its ability to operate and control vessels independently. The Group actively responded to the challenge of intensive new ship-building, and strictly monitored the construction of vessels. During the Reporting Period, the Group delivered two LNG carriers of 174,000 cubic meters ahead of schedule and of high quality, creating favorable benefits. COSCO SHIPPING LNG (Hong Kong) Ship Management Co., Ltd., a wholly-owned subsidiary of the Group, successfully acquired one LNG carrier for the PetroChina International LNG Project, and continued to provide customers with safe and efficient transportation services, continuously enhancing its independent ship management capability. At the same time, the Group strengthened the construction of the crew pool, comprehensively selected and trained LNG crews, and built a high-quality crew team and LNG management talent team by focusing on the construction of LNG ordering classes and promoting the transformation of crew into key positions.

**Liquidity and Financial Resources***Liquidity and borrowings*

During the six months ended 30 June 2024, the Group's net cash generated from operating activities was approximately RMB3,586,631,000, representing a decrease of approximately 22% as compared to approximately RMB4,607,220,000 for the six months ended 30 June 2023.

As at 30 June 2024, the balance of cash and bank amounted to RMB4,305,733,000, representing a decrease of RMB1,321,485,000 and by 23% as compared to the end of last year. The Group's cash and bank are mainly denominated in RMB and United States dollar ("USD"), the remainder are denominated in Euro, Hong Kong dollar ("HKD") and other currencies.

As at 30 June 2024 and 31 December 2023, details of the interest-bearing bank and other borrowings are as follows:

	<b>Maturity</b>	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
<b>Current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2024 to 2025	<b>1,416,433</b>	1,632,026
Unsecured	2024 to 2025	<b>2,748,068</b>	2,995,425
		<b>4,164,501</b>	4,627,451
<b>(ii) Other borrowings</b>			
Unsecured	2024 to 2025	<b>108,292</b>	79,801
Interest-bearing bank and other borrowings – current portion		<b>4,272,793</b>	4,707,252
<b>Non-current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2025 to 2037	<b>14,881,453</b>	14,536,846
Unsecured	2025 to 2026	<b>4,834,953</b>	5,323,728
		<b>19,716,406</b>	19,860,574
<b>(ii) Other borrowings</b>			
Secured	2025 to 2041	<b>832,800</b>	166,560
Unsecured	2025 to 2032	<b>3,227,804</b>	2,889,952
		<b>4,060,604</b>	3,056,512
Interest-bearing bank and other borrowings – non-current portion		<b>23,777,010</b>	22,917,086

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 and lease liabilities less cash and bank. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

#### *Net current liabilities*

As at 30 June 2024, the Group's net current liabilities amounted to RMB566,424,000. Current assets mainly included inventories of RMB1,208,101,000, contract assets of RMB1,255,653,000, trade and bill receivables of RMB1,467,479,000, prepayments, deposits and other receivables of RMB1,109,156,000, and cash and bank of RMB4,305,733,000. Current liabilities mainly included trade and bills payables of RMB1,718,320,000, other payables and accruals of RMB3,120,323,000, current portion of interest-bearing bank and other borrowings of RMB4,272,793,000 and current portion of lease liabilities of RMB395,258,000.

#### *Gearing ratio*

As at 30 June 2024, the Group's net gearing ratio (i.e. net debts over total equity) was 67%, which was 2% higher than that as at 31 December 2023.

#### **Foreign Exchange Risk**

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

#### **Capital Expenditures**

As at 30 June 2024, the cash expenditure of the Group for the construction and purchase of new vessels, was approximately RMB2.217 billion.

#### **Capital Commitments**

As at 30 June 2024 and 31 December 2023, details of the Group's capital commitments are as follows:

		<b>30 June 2024</b>	31 December 2023
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Authorised and contracted but not provided for:			
Construction and purchases of vessels	<i>(i)</i>	<b>11,263,717</b>	13,735,816
		<b>11,263,717</b>	13,735,816

*Note:*

- (i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2024 to 2027.

**Pledge on Assets**

As at 30 June 2024, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 35 (31 December 2023: 34) vessels and 3 (31 December 2023: 3) vessels under construction with total net carrying amount of RMB23,730,579,000 (31 December 2023: RMB22,716,424,000) and RMB1,949,448,000 (31 December 2023: RMB1,328,920,000) respectively.

**Contingent Liabilities and Guarantee**

- (i) Four associates of East China LNG Shipping Investment Co., Limited (“ELNG”) and North China LNG Shipping Investment Co., Limited (“NLNG”), two non-wholly-owned subsidiaries of the Company, entered into a ship building contract for one LNG vessel each. After the completion of their LNG vessels, the four associates would lease the vessels to the lessees in accordance with the signed leasing contracts. In July 2011, the Company provided guarantees to the four associates for their obligations under the leasing contracts, with the guarantee amount not exceeding USD8,200,000 (equivalent to approximately RMB58,440,000). The guarantee period is limited to the lease period.
- (ii) From 2014 to 2021, the joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, signed several ship building contracts and leasing contracts with certain third parties. According to those contracts, the Company would provide guarantees to the joint ventures for their obligations under those contracts based on the subsidiary's percentage of shareholdings in the joint ventures. As at 30 June 2024, the aggregate amount of the guarantees provided to the shipbuilders and lessees was USD276,120,000 (equivalent to approximately RMB1,967,852,000) and USD11,238,000 (equivalent to approximately RMB80,091,000) respectively, and the guarantee periods are limited to the lease periods.
- (iii) In June 2017, the Company provided financial guarantees to three joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly owned subsidiary of the Company, to the extent of the contract amount of USD377,500,000 (equivalent to approximately RMB2,690,367,000) in respect of the bank borrowings provided by two banks. The guarantee period is limited to 12 years after the vessel construction project of each of the joint ventures is completed. As at 30 June 2024, the balance of the guarantees was USD273,629,000 (equivalent to approximately RMB1,950,102,000).

**Material Acquisitions or Disposals and Future Plans for Material Investments**

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the six months ended 30 June 2024.

As at 30 June 2024, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

### Employees and Emoluments

The adjustments 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 operational efficiency of the Company. Under this mechanism, management of employees' remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results for the Company. Save for the remuneration policy disclosed above and the Incentive Scheme, the Company does not maintain any other share option scheme for its employees and the employees do not receive any bonus. The Company regularly provides its operational management personnel with training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Such training may be in different forms, such as seminars, site visits and study tours.

As at 30 June 2024, the Group had 7,711 (as at 30 June 2023: 8,339) employees. During the Reporting Period, the total staff costs was approximately RMB1,697 million (for the same period in 2023: approximately RMB1,736 million).

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### Business and Financial Review

As of 31 December 2023, the Group held and controlled 156 oil tankers with 23.06 million DWT, representing a year-on-year decrease of 3 vessels with 0.28 million DWT. 43 LNG vessels with 7.2 million cubic meters have been put into operation among the jointly-invested LNG vessels. In 2023, the Group realized a transportation volume (excluding time charters) of 172.59 million tons with a year-on-year decrease of 1.0%; transportation turnover (excluding time charters) of 530.49 billion tonne-miles with a year-on-year decrease of 1.2%; revenues from principal operations of RMB21.91 billion with a year-on-year increase of 18.0%; cost of principal operations of RMB15.42 billion with a year-on-year increase of 1.7%, and gross profit margin increased by 11.2 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB3.35 billion with a year-on-year increase of 129.2%, and earnings before interest, taxes, depreciation and amortization (“EBITDA”) of RMB9.35 billion with a year-on-year increase of 42.6%.

In 2023, the Group adhered to the general principle of “seeking improvement while maintaining stability”, with a main theme of advancing the strategic goal of “four global leading” and accelerating the establishment of a world-class enterprise, seized market opportunities to increase the profitability of the tanker fleet and accelerated LNG capacity expansion. In response to global conditions and market changes, the Group achieved significant growth in earnings, and continuously enhanced resilience and vitality through the following five measures:

The first is to fully leverage the advantages of globalized operation and scientifically allocate transportation resources, which fully demonstrated the earnings flexibility of international oil tanker transportation; the second is to consolidate the Group's leading position in the domestic oil tanker market and improve profitability by securing COA cargo sources; the third is to actively expand LNG transportation capacity and accelerate the implementation of LNG projects to continually augment the “safety cushion of benefits”; the fourth is to steadily promote new shipbuilding projects and the disposal of obsolete capacity to optimize the structure of oil tanker fleet; and the fifth is to develop a special plan for green and low-carbon transformation, scientifically implement green and low-carbon transformation and upgrade, and continuously strengthen ESG governance.

In 2023, the Group's cost from principal operations was approximately RMB15.42 billion, representing a year-on-year increase of 1.7%. Reasons of the changes in cost and expenses are mainly due to (i) oil shipping costs and (ii) LNG shipping costs:

(i) Oil shipping costs

- (1) Depreciation: Depreciation increased by 9.0% year-on-year, mainly due to the significant increase in the exchange rate of the foreign currency, and the increase in the depreciation and amortization of ship technical transformation and docking repair.
- (2) Charter costs: Charter costs increased by 18.0% year-on-year, mainly due to the successive addition of a number of time chartered tankers and high ship chartering for VLCCs.

(ii) LNG shipping costs

LNG shipping operating costs increased by 45.1% year-on-year, mainly due to the put into operation successively of the LNG Vessels, with a corresponding increase in the fixed costs of the vessels.

### ***Segment results***

The Group had three main operating business segments, namely (i) international oil shipment business, (ii) domestic oil shipping business and (iii) LNG shipping business.

(i) *International oil shipment business*

In 2023, the Group achieved revenue from international oil shipping of RMB13.92 billion, representing a year-on-year increase of 22.6%; gross profit for the segment of RMB4.15 billion, representing a year-on-year increase of 184.0%, and gross profit margin of 29.8%, representing a year-on-year increase of 16.9 percentage points. Operational highlights are as follows:

- (1) Actively communicated with global clients to diversify client resources. During the Reporting Period, the Group closely interacted with major global oil companies and traders, creating multiple cooperation opportunities while consolidating collaborative relationships. The VLCC fleet developed relationships with 6 new domestic and international clients, further expanding the Group's co-operation with leading oil companies on a larger scale and consolidating its global presence in transportation service sector.
- (2) Vigorously expanded high-quality routes to seize cargo sources in high-yield markets. The VLCC fleet significantly increased its capacity deployment in the Atlantic market, effectively diversified shipping layout and mitigated volatility risks in the spot market. In the meantime, the VLCC fleet developed high-yield routes in the US West Coast, Brazil and other regions. The small- and medium-sized fleet deepened collaborations with international oil giants such as Exxon Mobil, BP, Shell etc., thus strengthening route deployment in the high-yield market in Oceania. The Group also developed new routes from Australia to Japan, Singapore to New Zealand, and the Middle East to Mauritius, consistently enriching the cargo source structure and improving fleet profitability.

- (3) Effectively enhanced overall fleet revenue through flexible integration of domestic and international voyages. Leveraging the advantages of operating both domestic and foreign trade, the Group actively implemented coordination based on market dynamics and vessel connection situations. During the Reporting Period, multiple coordinated domestic and foreign trade voyages were conducted, covering crude oil, product oil sectors, as well as various vessel types such as Aframax and Small Size, effectively enhancing the fleet's overall turnover rate and operational effectiveness.

*(ii) Domestic oil shipping business*

In 2023, the Group recorded domestic oil shipping revenue of RMB6.17 billion with a year-on-year increase of 4.7%, gross profit of RMB1.49 billion with a year-on-year increase of 15.2%, and gross profit margin of 24.1% with a year-on-year increase of 2.2 percentage points. Operational highlights are as follows:

- (1) Maintained a leading market share in the transportation industry during the Reporting Period, with COA cargo sources accounting for over 95%, thus ensuring stable profitability while reinforcing cooperation with core clients.
- (2) Worked closely with industry partners through active vessel exchanges to ensure timely fulfillment of client's capacity demands, thereby enhancing overall vessel operational efficiency.
- (3) Innovated business models by promoting a new cooperation model of chartering domestic product oil transportation, thus effectively improving profitability on short routes.

*(iii) LNG shipping business*

In 2023, the Group realized a net profit (excluding non-recurring loss) from the LNG shipping segment of RMB790 million with a year-on-year increase of 18.4%. Operational highlights are as follows:

- (1) Seized the opportunities emerging from the long-term LNG transportation market and steadily advanced transportation project development. During the Reporting Period, CSLNG, a wholly-owned subsidiary of the Group, completed the equity acquisition of six LNG transportation vessels of CNOOC Gas and Power, three LNG transportation vessels of Sinopec Venture, and reached agreements on the building of two new LNG transportation vessels for PetroChina International. As of the end of the Reporting Period, the Group had invested in 83 LNG carriers, representing an increase of 21 vessels year-on-year.
- (2) 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, continuously enhancing its independent ship management capability. CSLNG, a wholly-owned subsidiary of the Group, organized the first ordering class for LNG crew in collaboration with maritime academies, crew companies, and LNG ship management companies as the Group accelerated the cultivation of a high-quality LNG crew and continuously enhanced the comprehensive competitiveness of LNG operations.

**Liquidity and Financial Resources*****Liquidity and borrowings***

For the year ended 31 December 2023, the Group's net cash generated from operating activities was approximately RMB8,662,352,000, representing an increase of approximately 110% as compared to approximately RMB4,129,839,000 for the year ended 31 December 2022.

As at 31 December 2023, the balance of cash and bank amounted to RMB5,627,218,000, representing an increase of RMB1,387,879,000 and by 33% 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, HKD and other currencies.

As at 31 December 2023 and 31 December 2022, details of the interest-bearing bank and other borrowings are as follows:

	<b>Maturity</b>	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
<b>Current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2024	<b>1,632,026</b>	1,455,208
Unsecured	2024	<b>2,995,425</b>	4,457,924
		<b>4,627,451</b>	5,913,132
<b>(ii) Other borrowings</b>			
Unsecured	2024	<b>79,801</b>	1,105,110
Interest-bearing bank and other borrowings – current portion		<b>4,707,252</b>	7,018,242
<b>Non-current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2025 to 2037	<b>14,536,846</b>	14,116,081
Unsecured	2025 to 2026	<b>5,323,728</b>	4,771,273
		<b>19,860,574</b>	18,887,354
<b>(ii) Other borrowings</b>			
Unsecured	2025 to 2032	<b>2,889,952</b>	1,859,374
Secured	2025 to 2040	<b>166,560</b>	–
Interest-bearing bank and other borrowings – non-current portion		<b>22,917,086</b>	20,746,728

As at 31 December 2023, secured bank borrowings of RMB15,725,723,000 (31 December 2022: RMB15,090,234,000) and unsecured bank borrowings of RMB3,891,235,000 (31 December 2022: RMB7,381,780,000) are denominated in USD.

### *Net current liabilities*

As at 31 December 2023, the Group's net current assets amounted to RMB742,857,000. Current assets mainly included inventories of RMB1,149,827,000, contract assets of RMB1,551,166,000, trade and bill receivables of RMB582,601,000, prepayments, deposits and other receivables of RMB531,186,000, and cash and bank of RMB5,627,218,000. Current liabilities mainly included trade and bills payables of RMB1,707,876,000, other payables and accruals of RMB1,421,214,000, current portion of interest-bearing bank and other borrowings of RMB4,707,252,000 and current portion of lease liabilities of RMB392,902,000.

### *Gearing ratio*

As at 31 December 2023, the Group's net gearing ratio (i.e. net debts over total equity) was 65%, which was 12% lower than that as at 31 December 2022. The decrease was primarily due to the repayment of more bank borrowings during the year ended 31 December 2023.

### **Foreign Exchange Risk**

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

### **Capital Expenditures**

In 2023, the cash expenditure of the Group for the construction of chemical and LNG vessels was approximately RMB4.573 billion.

### **Capital Commitments**

As at 31 December 2023 and 31 December 2022, details of the Group's capital commitments are as follows:

		<b>31 December 2023</b>	31 December 2022
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Authorised and contracted but not provided for:			
Construction and purchases of vessels	<i>(i)</i>	<b>13,735,816</b>	6,972,156
Equity investments	<i>(ii)</i>	<b>–</b>	311,479
		<b><u>13,735,816</u></b>	<b><u>7,283,635</u></b>

#### *Notes:*

- (i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2024 to 2027.
- (ii) Included in capital commitments in respect of equity investments are commitments to invest in a joint venture of the Group.

### Pledge on Assets

As at 31 December 2023, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 34 (31 December 2022: 45) vessels and 3 (31 December 2022: 1) vessels under construction with total net carrying amount of RMB22,716,424,000 (31 December 2022: RMB23,845,935,000) and RMB1,328,920,000 (31 December 2022: RMB425,436,000) respectively.

### Contingent Liabilities and Guarantee

- (1) Four associates of East China LNG Shipping Investment Co., Limited (“ELNG”) and North China LNG Shipping Investment Co., Limited (“NLNG”), two non-wholly-owned subsidiaries of the Company, entered into a ship building contract for one LNG vessel each. After the completion of their LNG vessels, the four associates would lease the vessels to the lessors in accordance with the signed leasing contracts. In July 2011, the Company provided guarantees to the four associates for their obligations under the leasing contracts, with the guarantee amount not exceeding USD8,200,000 (equivalent to approximately RMB58,078,000). The guarantee period is limited to the lease period.
- (2) From 2014 to 2021, the joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, signed several ship building contracts and leasing contracts with certain third parties. According to those contracts, the Company would provide guarantees to the joint ventures for their obligations under those contracts based on the subsidiary's percentage of shareholdings in the joint ventures. As at 31 December 2023, the aggregate amount of the guarantees provided to the shipbuilders and lessees was USD290,653,000 (equivalent to approximately RMB2,058,608,000) and USD11,393,000 (equivalent to approximately RMB80,693,000) respectively, and the guarantee periods are limited to the lease periods.
- (3) In June 2017, the Company provided financial guarantees to three joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company to the extent of the contract amount of USD377,500,000 (equivalent to approximately RMB2,673,719,000) in respect of the bank borrowings provided by two banks. The guarantee period is limited to 12 years after the vessel construction project of each of the joint ventures is completed. As at 31 December 2023, the balance of the guarantees was USD282,738,048 (equivalent to approximately RMB2,002,549,000).

### Material Acquisitions or Disposals and Future Plans for Material Investments

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the year ended 31 December 2023.

As at 31 December 2023, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

### Employees and Emoluments

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 employee 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.

As at the end of 2023, the Company had 7,911 employees. In 2023, the total staff costs were approximately RMB3.599 billion (2022: approximately RMB3.678 billion).

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### Business and Financial Review

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.

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. Reasons of the changes in cost and expenses are mainly due to (i) fuel costs, (ii) sea crew costs and (iii) lubricants expenses:

(i) Fuel costs

Fuel costs increased by RMB2,355 million or 73.2% year-on-year, mainly due to the increase in the number of voyages and route distance of the Group's vessels, combined with the effects of the "Sulphur Limit for ship's fuel oil (限硫令)"<sup>1</sup> and the rise in the international oil price in 2022.

(ii) Sea crew costs

Sea crew costs increase by RMB584 million or 27.72% year-on-year, mainly due to the increase in the level of remuneration.

(iii) Lubricants expenses

Lubricants expenses increased by 16.34% year-on-year, mainly due to the increase in voyage time, route distance and the wear and tear of the ships.

### *Segment results*

The Group had three main operating business segments, namely (i) international oil shipment business, (ii) domestic oil shipping business and (iii) LNG shipping business.

(i) *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.

<sup>1</sup> Following an amendment to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL), this compulsory rule, known as "IMO 2020", limits the sulphur in the fuel oil used on board ships operating outside designated emission control areas from the previous limit of 3.5% to 0.50% m/m (mass by mass).

- (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.

(ii) *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.

*(iii) 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.

**Liquidity and Financial Resources***Liquidity and borrowings*

During the year ended 31 December 2022, the Group's net cash generated from operating activities 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.

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, HKD and other currencies.

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

	<b>Maturity</b>	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
<b>Current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2023	<b>1,455,208</b>	1,446,027
Unsecured	2023	<b>4,457,924</b>	6,168,409
		<b>5,913,132</b>	7,614,436
<b>(ii) Other borrowings</b>			
Unsecured	2023	<b>1,105,110</b>	33,000
Interest-bearing bank and other borrowings – current portion		<b>7,018,242</b>	7,647,436
<b>Non-current liabilities</b>			
<b>(i) Bank borrowings</b>			
Secured	2024 to 2035	<b>14,116,081</b>	11,959,656
Unsecured	2024 to 2025	<b>4,771,273</b>	637,571
		<b>18,887,354</b>	12,597,227
<b>(ii) Other borrowings</b>			
Unsecured	2025 to 2032	<b>1,859,374</b>	69,850
Secured	2025 to 2040	<b>166,560</b>	–
Interest-bearing bank and other borrowings – non-current portion		<b>20,746,728</b>	12,667,077

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.

#### ***Net current liabilities***

As at 31 December 2022, the Group's net current liabilities amounted to RMB2,207,931,000. Current assets mainly included inventories of RMB1,278,069,000, contract assets of RMB1,632,174,000, trade and bill receivables of RMB545,041,000, prepayments, deposits and other receivables of RMB668,099,000, and cash and bank of RMB4,239,339,000. Current liabilities mainly included trade and bills payables of RMB1,939,321,000, other payables and accruals of RMB1,000,003,000, current portion of interest-bearing bank and other borrowings of RMB7,018,242,000 and current portion of lease liabilities of RMB370,554,000.

**Gearing ratio**

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 year ended 31 December 2022.

**Foreign Exchange Risk**

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

**Capital Expenditures**

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 vessel construction progress and purchases of new vessels.

**Capital Commitments**

As at 31 December 2022 and 31 December 2021, details of the Group's capital commitments are as follows:

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

*Notes:*

- (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).

### Pledge on Assets

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.

### 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:

<b>Company name</b>	<b>Charterer</b>
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 EUR4,500,000 (equivalent to approximately RMB33,403,000). The guarantee period is limited to the lease period.

### **Material Acquisitions or Disposals and Future Plans for Material Investments**

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the year ended 31 December 2022.

As at 31 December 2022, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

### **Employees and Emoluments**

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.

As at the end of 2022, the Company had approximately 8,384 employees. In 2022, the total staff costs was approximately RMB3.678 billion (2021: approximately RMB3.197 billion).

**FOR THE YEAR ENDED 31 DECEMBER 2021****Business and Financial Review**

As of 31 December 2021, the Group held and controlled 166 oil tankers with 25.24 million DWT, representing a year-on-year increase of 6 vessels with 1.51 million DWT. 38 LNG vessels with 6.42 million cubic meters have been put into operation among the jointly-invested LNG vessels. In 2021, the Group realized a transportation volume (excluding time charters) of 167.29 million tonnes with a year-on-year increase of 4.1%; transportation turnover (excluding time charters) of 507.7 billion tonne-nautical miles with a year-on-year increase of 4.5%; revenues from principal operations of RMB12.645 billion with a year-on-year decrease of 22.3%; cost of principal operations of RMB11.77 billion with a year-on-year increase of 2.0%, and gross profit margin decreased by 22.1 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB-4.985 billion with a year-on-year decrease of 309.3%, and earnings before interest, taxes, depreciation and amortization (“EBITDA”) of RMB-0.86 billion with a year-on-year decrease of 112.4%.

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

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

In 2021, the Group’s cost from principal operations was approximately RMB16.73 billion, representing a year-on-year increase of 35.1%.

Reasons of the changes in cost and expenses are mainly due to the oil shipping costs, comprising:

(1) Fuel costs

Fuel costs increased by RMB137 million or 4.4% year-on-year, mainly due to the combined effects of the increase in the Group’s fleet capacity and the international oil prices, etc.

(2) Sea crew costs

Sea crew costs increase by RMB437 million or 27.8% year-on-year, mainly due to the increase in remuneration level and quarantine expenses for epidemic subsidies, etc.

(3) Repair expenses

Repair expenses decreased by RMB157 million or 34.0% year-on-year, mainly due to the decrease in the number of ships repaired and the capitalisation of docking repair expenses, etc.

*Segment results*

The Group had three main operating business segments, namely (i) international oil shipment business, (ii) domestic oil shipping business and (iii) LNG shipping business.

*(i) International oil shipment business*

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

- (1) Intensified efforts to develop new customers and continued to seek new routes. The VLCCs with economical and fuel-efficient capacity were mainly deployed in the Atlantic market for higher efficiency, while the remaining vessels were primarily deployed in the Middle East-Far East route. The black oil tanker fleet (mainly small and medium-sized oil tankers) for international trades had been actively developing return cargoes and had successfully explored new routes such as from the Far East to Alaska and the U.S. West and from Singapore to New Caledonia.
- (2) Optimized the global operation layout and achieved outstanding benefits from the triangular route. In 2021, the Group enhanced its Atlantic cargoes contracted. The working days of the VLCC triangular route accounted for 18.8%, which is 10.1 percentage points higher than that in 2020. The fleet for international refined oil has actively built the “China-Singapore-Middle East-Far East-China” triangular route, covering Australia, East Africa, Europe and other regions. The shipping routes and customer groups were increasingly enriched.
- (3) Cost expenditure reduced significantly by exploring the potential in fuel cost control. More efficient procurement cost control was achieved by strengthening market research and analysis and regularly sorting out procurement requirements. During the Reporting Period, the average procurement price was lower than the market level in the same period, thus savings in procurement cost were achieved. At the same time, the management of fuel consumption for sailing and cargo heating was strengthened, and the average unit fuel consumption of the fleet decreased by 5% year on year.

*(ii) Domestic oil shipping business*

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

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

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

*(iii) LNG shipping business*

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

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

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

### **Liquidity and Financial Resources**

#### ***Liquidity and borrowings***

During the year ended 31 December 2021, the Group's net cash generated from operating activities was approximately RMB3,335,953,000, representing a decrease of approximately 52% as compared to approximately RMB6,973,111,000 for the year ended 31 December 2020.

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

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

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

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

#### *Net current liabilities*

As at 31 December 2021, the Group's net current liabilities amounted to RMB6,851,694,000. Current assets mainly included inventories of RMB1,013,203,000, contract assets of RMB749,161,000, trade and bill receivables of RMB369,482,000, prepayments, deposits and other receivables of RMB785,266,000, and cash and cash equivalents of RMB3,523,889,000. Current liabilities mainly included trade and bills payables of RMB1,780,544,000, other payables and accruals of RMB904,171,000, current portion of interest-bearing bank and other borrowings of RMB7,647,436,000 and current portion of lease liabilities of RMB325,796,000.

**Gearing ratio**

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

**Foreign Exchange Risk**

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

**Capital Expenditures**

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

**Capital Commitments**

As at 31 December 2021 and 31 December 2020, details of the Group's capital commitments are as follows:

		<b>31 December 2021</b>	31 December 2020
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Authorised and contracted but not provided for:			
Construction and purchases of vessels	<i>(i)</i>	<b><u>6,924,783</u></b>	<u>5,382,212</u>

*Note:*

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

**Pledge on Assets**

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

**Contingent Liabilities and Guarantee**

- (i) Aquarius LNG Shipping Limited (“**Aquarius LNG**”) and Gemini LNG Shipping Limited (“**Gemini LNG**”), and Capricorn LNG Shipping Limited (“**Capricorn LNG**”) and Aries LNG Shipping Limited (“**Aries LNG**”) are associates of East China LNG Shipping Investment Co., Limited and North China LNG Shipping Investment Co., Limited, (the “**Four Associates**”) respectively. Each associate entered into a 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:

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB52,281,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

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

As at 31 December 2019, the Company’s guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 31 December 2021, the balance of the owner’s guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB40,804,000).

- (iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the “**Banks**”), to the extent of amount of USD377.5 million (equivalent to approximately RMB2,406,827,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company’s indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.
- (iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited (“**Four Single-vessel Companies**”). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner’s guarantee for the Four Single vessel Companies with the amount of EUR4.5 million (equivalent to approximately RMB32,489,000). The guarantee period is limited to the lease period.

### **Material Acquisitions or Disposals and Future Plans for Material Investments**

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the year ended 31 December 2021.

As at 31 December 2021, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

### **Employees and Emoluments**

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.

As at the end of 2021, the Company had approximately 7,781 employees. In 2021, the total staff costs was approximately RMB3.197 billion (2020: approximately RMB2.720 billion).

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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## COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.\* 中遠海運能源運輸股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 1138)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**”) will be held at 10:00 a.m. on Monday, 30 December 2024 (or any adjournment thereof) at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China to consider and, if thought fit, pass the following resolutions.

Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 10 December 2024 (the “**Circular**”).

#### ORDINARY RESOLUTIONS

1. to approve, ratify and confirm the financial services framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING Finance Company Limited\* (中遠海運集團財務有限責任公司) (“**COSCO SHIPPING Finance**”) in relation to the provision of financial services and the transactions and the proposed annual caps contemplated thereunder (the “**2024 Financial Services Framework Agreement**”); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2024 Financial Services Framework Agreement;
2. to approve, ratify and confirm the vessel services framework agreement dated 30 October 2024 entered into between the Company and China COSCO SHIPPING Corporation Limited\* (中國遠洋海運集團有限公司) (“**COSCO SHIPPING**”) in relation to supply and receipt of shipping materials and services and the transactions and the proposed annual caps contemplated thereunder (the “**2024 Vessel Services Framework Agreement**”); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2024 Vessel Services Framework Agreement;

\* For identification purposes only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. to approve, ratify and confirm the sea crew framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to receipt of sea crew services and the transactions and the proposed annual caps contemplated thereunder (the “**2024 Sea Crew Framework Agreement**”); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2024 Sea Crew Framework Agreement;
4. to approve, ratify and confirm the services framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to receipt of certain services and the transactions and the proposed annual caps contemplated thereunder (the “**2024 Services Framework Agreement**”); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2024 Services Framework Agreement;
5. to approve, ratify and confirm the property lease framework agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of property and land use right leasing services and the transactions and the proposed annual caps contemplated thereunder (the “**2024 Lease Framework Agreement**”); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2024 Lease Framework Agreement;
6. to approve, ratify and confirm the trademark license agreement dated 30 October 2024 entered into between the Company and COSCO SHIPPING in relation to the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING and the transactions and the annual fees contemplated thereunder (the “**2024 Trademark License Agreement**”); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2024 Trademark License Agreement;
7. to consider and approve the appointment of Mr. Wang Shuqing as a non-executive Director and the term of his appointment, details of which are set out in the Circular;
8. to consider and approve the appointment of Mr. Sun Xiaobin as a shareholder representative Supervisor and the term of his appointment, details of which are set out in the Circular; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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9. to consider and approve (i) the appointment of SHINEWING (HK) CPA Limited as the overseas auditor of the Company for the year ending 31 December 2024 and to hold office until the conclusion of the next annual general meeting of the Company; and (ii) the fees for review and audit (excluding 2024 interim review) payable by the Company to SHINEWING (HK) CPA Limited for the year ending 31 December 2024 of RMB1.9017 million (tax inclusive); and (iii) in the event of a major change in the scope of review and audit in respect of the Company, the authorisation to the Board or any person authorised by the Board to reasonably determine the specific amount of the audit fees of the overseas auditor of the Company for the year ending 31 December 2024.

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

Shanghai, the PRC  
10 December 2024

*Notes:*

1. For the purpose of holding the EGM, the register of H Shares members of the Company (the “**Register of Members**”) will be closed from Monday, 23 December 2024 to Monday, 30 December 2024 (both days inclusive), during which no transfer of H Shares of the Company will be registered. H Shareholders whose names appear on the Register of Members at the close of business on Monday, 30 December 2024 are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting.
2. In order to be entitled to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Hong Kong Registrars Limited, the H share registrar of the Company, not later than 4:30 p.m. on Friday, 20 December 2024.
3. The address of Hong Kong Registrars Limited, the share registrar (for share transfer) for the H shares of the Company is as follows:

Shops 1712-1716  
17th Floor Hopewell Centre  
183 Queen’s Road East  
Wanchai  
Hong Kong

The details of the Office of the Board of Directors of the Company are as follows:

7th Floor, 670 Dongdaming Road  
Hongkou District  
Shanghai  
People’s Republic of China  
Postal Code: 200080  
Tel: 86 (21) 6596 6666  
Fax: 86 (21) 6596 6160

4. Each H Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM.
5. The form of proxy must be in writing under the hand of the Shareholder or his/her attorney duly authorized in writing or, if the Shareholder is a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorized to sign the same. If the form of proxy is signed by an attorney authorized by the Shareholder, the power of attorney authorizing signature or other documents of authorization must be notarially certified.
6. To be valid, for H Shareholders, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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7. Each A Shareholder is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM. Notes 4 to 5 also apply to A Shareholders, except that the form of proxy or other documents of authority must be delivered to the Office of the Board of Directors of the Company, not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid.

The details of the Office of the Board of Directors of the Company are as follows:

7th Floor, 670 Dongdaming Road  
Hongkou District  
Shanghai  
People's Republic of China  
Postal Code: 200080  
Tel: 86 (21) 6596 6666  
Fax: 86 (21) 6596 6160

8. If a proxy attends the EGM on behalf of a shareholder, he/she should produce his/her identity card and the form of proxy signed by the Shareholder or his/her attorney, which specifies the date of its issuance. If a legal person Shareholder appoints its legal representative to attend the EGM, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person Shareholder appoints a company representative other than its legal representative to attend the EGM, such representative should produce his/her identity card and an authorization instrument affixed with the seal of that Shareholder (which is a legal person) and duly signed by its legal representative.
9. The EGM is estimated to last for an hour. Shareholders who attend the EGM in person or by proxy shall bear their own transportation and accommodation expenses.

*As at the date of this notice, the Board comprises Mr. Ren Yongqiang and Mr. Zhu Maijin as executive Directors, Mr. Wang Wei and Ms. Wang Songwen as non-executive Directors, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen as independent non-executive Directors.*