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)

2021 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenues of the Group decreased by approximately 37% to approximately RMB6,078 million
- Profit for the period attributable to equity holders of the Company decreased by approximately 80% to approximately RMB582 million
- The basic and diluted earnings per share for the Reporting Period were RMB12.22 cents and RMB12.22 cents respectively

The board (the"**Board**") of directors (the "**Directors**") of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together referred to as the "**Group**") for the six months ended 30 June 2021 (or the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 (Unaudited) *RMB'000*	2020 (Unaudited) *RMB'000*
Revenues	*4*	**6,078,251**	9,669,499
Operating costs		**(5,157,977)**	(6,001,948)
Gross profit		**920,274**	3,667,551
Other income and net gains	*5*	**336,578**	27,984
Marketing expenses		**(15,342)**	(14,806)
Administrative expenses		**(385,593)**	(286,551)
Net impairment losses on financial and contract assets		**(5,750)**	(12,540)
Other expenses		**(28,340)**	(20,000)
Share of profits of associates		**130,097**	176,830
Share of profits of joint ventures		**348,351**	321,747
Finance costs	*6*	**(425,067)**	(566,137)
Profit before tax		**875,208**	3,294,078
Income tax expense	*7*	**(131,335)**	(199,785)
Profit for the period		**743,873**	3,094,293
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income/(loss)		**75,312**	(27,723)
Remeasurement of defined benefit plan payable		**1,236**	–
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**6**	–
Items that may be reclassified to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**(77,403)**	113,888
Net gain/(loss) on cash flow hedges		**132,789**	(474,172)
Hedging gain reclassified to profit or loss		**61,543**	49,774
Share of other comprehensive loss of associates		**(11,775)**	(4,712)
Share of other comprehensive income/(loss) of joint ventures		**54,765**	(91,159)
Net loss on disposal of investment properties		**–**	(4,558)
Other comprehensive income/(loss) for the period		**236,473**	(438,662)
Total comprehensive income for the period		**980,346**	2,655,631

	Note	Six months ended 30 June **2021** **(Unaudited)** ***RMB'000***	2020 (Unaudited) *RMB'000*
Profit for the period attributable to:			
Equity holders of the Company		**581,974**	2,954,736
Non-controlling interests		**161,899**	139,557
Profit for the period		**743,873**	3,094,293
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**669,010**	2,786,501
Non-controlling interests		**311,336**	(130,870)
		980,346	2,655,631
Earnings per share	*9*		
– Basic (RMB cents/share)		**12.22**	67.19
– Diluted (RMB cents/share)		**12.22**	67.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

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

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Provision and other liabilities		**15,286**	15,286
Derivative financial instruments		**645,716**	847,983
Interest-bearing bank and other borrowings		**13,358,309**	13,809,152
Other loans		**946,440**	977,193
Bonds payable		**2,497,018**	2,495,824
Employee benefits payable		**157,456**	164,218
Lease liabilities		**1,518,204**	1,699,996
Deferred tax liabilities		**519,881**	455,017
		19,658,310	20,464,669
CURRENT LIABILITIES			
Trade and bills payables		**1,420,870**	1,610,104
Other payables and accruals		**957,021**	1,136,151
Contract liabilities		**18,082**	18,824
Dividends payable	*8*	**952,538**	–
Current portion of interest-bearing bank and other borrowings		**6,441,286**	6,682,421
Current portion of other loans		**43,525**	44,562
Current portion of employee benefits payable		**25,434**	23,094
Current portion of lease liabilities		**316,112**	325,126
Taxes payable		**57,670**	52,560
		10,232,538	9,892,842
TOTAL LIABILITIES		**29,890,848**	30,357,511
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,762,692**	4,762,692
Reserves		**29,570,021**	29,859,136
		34,332,713	34,621,828
Non-controlling interests		**1,277,779**	980,518
TOTAL EQUITY		**35,610,492**	35,602,346

NOTES

1. CORPORATE INFORMATION

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

During the Reporting Period, the Company and its subsidiaries were involved in the following principal activities:

(a) investment holding; and/or

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

(c) vessel chartering; and/or

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

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2021 (the "**Interim Financial Information**") is presented in Renminbi (RMB), which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

The Interim Financial Information was approved for issue by the Board on 30 August 2021.

The Interim Financial Information has not been audited.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Interim Financial Information does not include all the information and disclosures required in an annual report, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") except for the adoption of new and amended standards as disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total earnings.

(a) New standards, amendments and interpretation adopted by the Group in the six months ended 30 June 2021

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

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

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

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

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

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

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

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

4. REVENUES AND SEGMENT INFORMATION

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

The Group's business segments are categorised as follows:

(i) oil shipment

- oil shipment
- vessel chartering

(ii) LNG

(iii) others

- others mainly include LPG shipping (LPG shipping business has been sold in 2020)

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

Business segments

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

	Six months ended 30 June			
	2021		2020	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment				
– Oil shipment	**5,009,556**	**550,755**	8,264,300	2,968,896
– Vessel chartering	**456,027**	**48,704**	714,467	325,361
	5,465,583	**599,459**	8,978,767	3,294,257
LNG	**612,668**	**320,815**	649,993	360,473
Others	**–**	**–**	40,739	12,821
	6,078,251	**920,274**	9,669,499	3,667,551

4. REVENUES AND SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June			
	2021		2020	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Other income and net gains		**336,578**		27,984
Marketing expenses		**(15,342)**		(14,806)
Administrative expenses		**(385,593)**		(286,551)
Net impairment losses on financial and contract assets		**(5,750)**		(12,540)
Other expenses		**(28,340)**		(20,000)
Share of profits of associates		**130,097**		176,830
Share of profits of joint ventures		**348,351**		321,747
Finance costs		**(425,067)**		(566,137)
Profit before tax		**875,208**		3,294,078

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

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

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

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

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

4. REVENUES AND SEGMENT INFORMATION *(Continued)*

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

Geographical segments

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

Other information

	Oil shipment	**LNG**	**Others**	**Total**
	RMB'000	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2021				
Additions to non-current assets	**1,366,034**	**364,368**	**–**	**1,730,402**
Depreciation and amortisation	**1,241,409**	**144,413**	**18,816**	**1,404,638**
Gain on disposal of property, plant and equipment, net	**595**	**–**	**–**	**595**
Interest income	**18,150**	**14,207**	**2**	**32,359**
Six months ended 30 June 2020				
Additions to non-current assets	1,307,913	127	–	1,308,040
Depreciation and amortisation	1,334,299	156,806	39	1,491,144
Gain/(loss) on disposal of property, plant and equipment, net	5,405	(9)	–	5,396
Interest income	42,492	15,391	12	57,895

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the Reporting Period and six months ended 30 June 2020.

5. OTHER INCOME AND NET GAINS

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

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

6. FINANCE COSTS

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

During the Reporting Period, no interest expense is capitalised (six months ended 30 June 2020: nil).

7. INCOME TAX EXPENSE

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

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (six months ended 30 June 2020: 25%) except for those entities with tax concession.

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

8. DIVIDENDS

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

Final dividend of RMB0.2 per share in respect of the year ended 31 December 2020 was approved by shareholders at the annual general meeting held on 30 June 2021 and no payment was paid during the Reporting Period.

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

9. EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company *(RMB'000)*	**581,974**	2,954,736
Weighted average number of ordinary shares in issue	**4,762,691,885**	4,397,362,373
Basic earnings per share (RMB cents/share)	**12.22**	67.19

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

(b) Diluted

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. The main businesses, operating model of the Group and conditions of the industry during the Reporting Period

(1) Industry and Characteristics

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

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

In China's coastal oil tanker transportation sector, in order to ensure security of national energy transportation and safety of coastal marine environment, China's current practice of transporting dangerous goods in bulk liquids along the coast is based on the idea of total quantity regulation and preferred selection. Compared with international oil transportation market, the supply of and demand for transportation capacity in the coastal oil transportation market are relatively balanced, characterised by a relatively stable market size and freight rates.

The liquefied natural gas ("**LNG**") industrial chain, which involves massive funding and intensive technologies, is a complete chain process covering the entire supply chain of the natural gas industry. Currently, seaborne LNG transportation volume accounts for more than 80% of the world's LNG volume transported. The LNG carriers have been recognized internationally as 'three high' products with high technology, high difficulty and high value added, and are thus expensive. LNG transportation has higher requirements for ship management; therefore, the LNG shipping market is highly concentrated. Nowadays, the majority of vessels among the global LNG fleet are bound to particular LNG projects ("**project vessels**"), the most of which involve long-term time charting contracts with the project parties so that charter incomes and investment yields are often stable.

(2) The competitive position and operation model in industry

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

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

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

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

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

The Group is also a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Group holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As at 30 June 2021, the Group had a total of 41 jointly-invested LNG vessels, including 38 LNG vessels in operation with capacity of 6.42 million cubic metres and 3 LNG vessels under construction with aggregate capacity of 0.52 million cubic metres, all of which are all bound to particular LNG projects and long-term lease contracts. In recent years, as the LNG carriers, for which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

In the overall business structure of the Group, profitability of coastal (domestic trade) oil transportation business and LNG transportation business are generally stable, providing a 'safety cushion' for the Group's operating results; and the international (foreign trade) oil transportation business provides cyclical elasticity in the Group's operating results.

2. Analysis of the international and domestic shipping market during the Reporting Period

(1) International oil shipping market

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

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

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

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

(2) Domestic oil shipping market

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

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

(3) LNG shipping market

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

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

3. Review of operating results during the Reporting Period

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

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

(1) Revenues from Principal Operations

For the six months ended 30 June 2021, overall conditions of the Group's principal operations classified by products transported and geographical regions were as follows:

Principal Operations by Products Transported

Industry or product	Revenues	Operating costs	Gross profit margin	Increase/ (decrease) in revenues as compared with the same period in 2020	Increase/ (decrease) in operating costs as compared with the same period in 2020	Increase/ (decrease) in gross profit margin as compared with the same period in 2020
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic crude oil	1,549,443	951,515	38.6	13.2	1.8	6.9
Domestic refined oil	1,157,841	869,358	24.9	(1.2)	(10.4)	7.7
Domestic vessel chartering	54,524	38,253	29.8	11.9	2.8	6.2
Domestic oil shipping Sub-total	2,761,808	1,859,125	32.7	6.7	(4.3)	7.7
International crude oil	1,851,443	2,148,268	(16.0)	(63.0)	(25.6)	(58.3)
International refined oil	450,830	503,053	(11.6)	(37.5)	0.0	(41.8)
International vessel chartering	401,504	355,679	11.4	(39.7)	1.1	(35.7)
International Oil Shipping Sub-total	2,703,776	3,007,000	(11.2)	(57.7)	(19.7)	(52.6)
Oil shipping Sub Total	5,465,584	4,866,125	11.0	(39.1)	(14.4)	(25.7)
International LNG shipping	612,667	291,852	52.4	(5.7)	0.8	(3.1)
LPG shipping	0	0	0.0	(100.0)	(100.0)	N.A
Total	6,078,251	5,157,977	15.1	(37.1)	(0.1)	(25.7)

Principal Operations by Geographical Regions

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

Shipping Business – Oil and LNG Shipping

International oil shipping business:

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

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

(2) We adjusted the vessel repair plan in a timely manner. Considering the changing international political and economic situations, the global epidemic, and the supply and demand of the oil shipping market, we fully assessed and adjusted the annual repair schedule for 32 vessels in a timely manner, effectively reducing the operating days of vessels in the extremely sluggish market, and making arrangements for subsequent market recovery.

(3) We endeavored to tap the cost management. We focused on the control of bunker fuel consumption, optimized the most efficient voyage speed, and strictly monitored the fuel consumption of each process of the voyage. We strengthened market research and judgment, made coordinated and overall planning for fuel procurement, to ensure that the average purchase price is lower than the market in the same period, so as to achieve reduction in procurement expenditures.

Domestic oil shipping business:

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

(1) We increased our business exploitation. By signing COAs with a number of domestic trade customers, we locked in more than 90% of fundamental cargo sources. We acquired high-quality cargo, accurately served customers and expanded market share of domestic crude oil shipping, which reached approximately 57%;

(2) We flexibly allied our domestic and international fleet. Firstly, we allied operation of domestic and international transportation to differentiate our transportation capacity allocation in response to the different domestic and international oil shipping market situations in the first half of 2021, and made full use of the operating capacity of domestic and international trade, to increase revenue and market share of domestic oil shipping, thus relieving operating pressure of international oil shipping. Secondly, we allied operation of crude and product oil transportation to deploy cargo across different income levels to maximize the overall income of the fleet according to different characteristic of the vessel. Thirdly, we allied operation of large and small ships to formulate a whole-process transportation plan before acquiring crude oil imports, and made close linkage with domestic trade and transshipment based on the customer's logistics demand, thus create value-added services for customers.

LNG shipping business:

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

4. Cost and expenses analysis

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

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

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

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

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

5. Operating results of the joint ventures and the associates

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

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

Company name	**Interest held by the Group**	**Shipping turnover**	**Operating revenues**	**Net profit (attributed to the parent)**
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
CLNG	50%	34.52	486,328	431,763

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

Company name	**Interest held by the Group**	**Shipping turnover**	**Operating revenues**	**Net profit (attributed to the parent)**
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	8.70	766,858	257,364

6. Financial analysis

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB1,605,367,000, representing a decrease of approximately 54% as compared to approximately RMB3,507,055,000 for a six months ended 30 June 2020.

(2) Capital commitments

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

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2021 to 2023.

(ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects to be held by Shanghai LNG.

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB32,376,000 (31 December 2020: RMB43,168,000).

(3) Capital Structure

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

The Group's net debt-to-equity ratio as at 30 June 2021 and 31 December 2020 is as follows:

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

As at 30 June 2021, the balance of cash and cash equivalents amounted to RMB3,758,213,000, representing a decrease of RMB1,111,750,000 and by 23% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar ("**HKD**") and other currencies.

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

(4) Trade and bills receivables and contract assets

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

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

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

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

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

(5) Trade and bills payables

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

Note: Related companies are related parties that the fellow subsidiaries of the Company either have joint control or significant influence in these related companies.

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

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

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

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

(6) Derivative financial instruments

As at 30 June 2021, the Group had interest rate swap agreements with total notional principal amount of approximately USD517,561,000 (equivalent to approximately RMB3,343,496,000) (31 December 2020: approximately USD527,507,000, equivalent to approximately RMB3,441,930,000) which will mature in 2031, 2032 and 2033 (31 December 2020: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the Reporting Period, the floating interest rates of the bank borrowings were 3-month London Inter-bank Offered Rate ("**LIBOR**") plus 2.20% (six months ended 30 June 2020: 3-month LIBOR plus 2.20%).

(7) Interest-bearing bank and other borrowings

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

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

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

(8) Bonds payable

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

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

(9) Contingent liabilities and guarantee

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

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

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

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

(ii) At the 7th Board meeting in 2014, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Group for the Yamal LNG project (the "**Three Joint Ventures**"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited for the Three Joint Ventures, and provides owner's guarantees to the charterer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively.

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 30 June 2021, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB41,345,000).

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amountof USD377,500,000 (equivalent to approxmately RMB2,438,688,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provided owner's guarantee for the Four Single vessel Companies with the amount of Euro 4,500,000 (equivalent to approximately RMB34,588,000). The guarantee period is limited to the lease period.

(10) Foreign exchange risk management

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

(11) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 30 June 2021 and 31 December 2020.

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

7. Fleet expansion projects

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

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

As at 30 June 2021, the specific composition of the Group's fleet was as follows:

	Vessel in operation			**Vessel under construction**	
	Number	**thousand DWT/ thousand cubic metres**	**Average age**	**number**	**thousand DWT/ thousand cubic metres**
Subsidiaries of the Group					
Oil tanker	154	21,867	10.0	3	419
LNG carrier	6	1,045	3.9	3	522
Sub-total	160	21,867/1,045	9.8	6	419/522
Long-term charter-in oil tanker	11	3,044	11.6	0	0
Joint ventures and associates					
Oil tanker	13	810	9.8	2	165
LNG carrier	32	5,370	6.9	0	0
Sub-total	45	810/5,370	6.1	2	165
Total	216	25,721/6,415	9.1	8	584/522

8. Epidemic prevention and control

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

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

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

9. Outlooks and highlights of the second half of 2021

(1) Competitive landscape and development trends in the industry

International oil shipping market

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

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

Domestic oil shipping market

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

LNG shipping market

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

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

(2) Highlights for the second half of 2021

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

(1) **Continue to optimize the Company's fleet structure.** The Group will fully review the ship age structure and ship type distribution, and include ships with low carbon emissions and excellent energy consumption attributes according to the needs of business development, and at the same time, dispose of the old tonnage when the opportunity arises. The Group will maintain its leading capacity scale and advantages in business structure, enhance the market competitiveness of the overall fleet, and provide customers with services of higher quality.

(2) **Actively promote green development of the Company.** The Group will follow the trend of global energy green transformation, and use digital lean fleet operation management to optimize navigation speed and reduce fleet carbon emission intensity. The Group will closely follow the carbon emission reduction requirements of the industry, formulate carbon emission targets and implementation paths. The Group will strengthen technical exchanges and cooperation with competent authorities and classification societies, pay attention to the latest technological development directions in the industry, and actively make necessary reserves of new energy power and energy-saving technologies.

(3) **Firmly establish risk management mechanism.** The Group will accurately identify and prevent safety risks, formulate a "one ship, one policy" safety management plan to secure fleet operation; deepen the implementation of the 3rd version of action plan of 'Caring the Crew, Guarding the Ship', and take various detailed measures to build the "crew empowerment system", launch the 'Crew Health Action Plan', and make proper arrangement about crew shift under the normalized prevention during the global epidemic.

(4) **Actively promote business model innovation.** In the second half of 2021, CHINA POOL, an associated operating entity of VLCC under the Group and also the first associated operating entity of oil tanker in China, will officially operate in public. The Group plans to put all its own and controlled VLCC spot capacity into the operation of CHINA POOL. With the addition of external capacity, it will further expand the control capacity of the associated operating entity and provide customers with more available tonnage. At the same time, it will help expand our market share, enhance our market voice, and increase the profitability of the fleet.

(5) **Adopt multiple measures to raise the efficiency of each segment.** The Group will closely follow the adjustment of the national energy strategy and serve the national energy transportation; achieve common development accompanied by the industrial needs of state-owned and private refining-chemical and trading companies. At the same time, the Group will pay close attention to market trends, strengthen customer maintenance and market development, seize market opportunities, and maximize our gains. Among which:

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

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

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

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

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

OTHER MATTERS

1. Events After The Reporting Period

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

2. Compliance with the Corporate Governance Code

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

The Company has established five special committees under the Board, including an audit committee (the "**Audit Committee**"), a remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"), a strategy committee (the "**Strategy Committee**"), a nomination committee (the "**Nomination Committee**") and a risk control committee (the "**Risk Control Committee**") with defined terms of reference.

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

3. Purchase, Sale or Redemption of the Company's Listed Securities

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

4. Audit Committee

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

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

5. Remuneration and Appraisal Committee

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

6. Nomination Committee

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

7. Strategy Committee

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

8. Risk Control Committee

In order to effectively to promote the rule of law of listed companies as required by supervisory agencies at home and abroad, and to give full play to the functions of special committees of the Board in the rule of law and risk control management, in 2019, the Company's Board approved the establishment of the Risk Control Committee. The Risk Control Committee consists of three members (including one executive Director and two independent non-executive Directors), namely Mr. Zhao Jinsong (chairman), Mr. Ren Yongqiang and Mr. Wang Zuwen.

9. **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules**

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

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

10. **Employees**

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

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

11. **Investor Relations**

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

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

12. Significant Investments and Future Plan for Material Investments and Capital Assets

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

13. Material Acquisitions and Disposals

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

14. Supplementary Information to be Published on the Websites of The Stock Exchange of Hong Kong Limited and the Company

In accordance with the requirements of the Listing Rules, details of the Group's financial and related information will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (energy.coscoshipping.com).

The financial information set out above does not constitute the Company's statutory financial statements for the Reporting Period, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the Reporting Period will be delivered to shareholders of the Company as well as made available for download on the Company's website.

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

Shanghai, PRC
30 August 2021

As at the date of this announcement, the Board comprises Mr. Ren Yongqiang and Mr. Zhu Maijin as executive Directors, Mr. Zhang Qinghai and Mr. Liu Zhusheng as non-executive Directors, Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen as independent non-executive Directors.

* *For identification purposes only*