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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenues of the Group decreased by approximately RMB3,623 million on 22% from RMB16,268 million in 2020 to RMB12,645 million in 2021
- Loss for the year attributable to equity holders of the Company was RMB4,985 million in 2021 as compared to profit for the year attributable to equity holders of RMB2,381 million in 2020
- The basic and diluted loss per share for 2021 was RMB104.68 cents as compared to basic and diluted earnings of RMB52.00 cents and RMB51.96 cents respectively for 2020

The board (the "**Board**") of directors (the "**Directors**") of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

	Note	2021 RMB'000	2020 RMB'000
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(4,985,386)**	2,381,415
Non-controlling interests		**318,278**	250,029
(Loss)/profit for the year		**(4,667,108)**	2,631,444
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(5,075,283)**	1,604,171
Non-controlling interests		**493,151**	128,544
		(4,582,132)	1,732,715
(Loss)/earnings per share	*9*		
– Basic (RMB cents/share)		**(104.68)**	52.00
– Diluted (RMB cents/share)		**(104.68)**	51.96

Details of the dividends for the Reporting Period are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

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

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
NON-CURRENT LIABILITIES		
Provision and other liabilities	**15,286**	15,286
Derivative financial instruments	**556,105**	847,983
Interest-bearing bank and other borrowings	**12,667,077**	13,809,152
Other loans	**911,337**	977,193
Bonds payable	**–**	2,495,824
Employee benefits payable	**166,301**	164,218
Lease liabilities	**1,329,584**	1,699,996
Deferred tax liabilities	**483,139**	455,017
	16,128,829	20,464,669
CURRENT LIABILITIES		
Trade and bills payables	**1,780,544**	1,610,104
Other payables and accruals	**904,171**	1,136,151
Contract liabilities	**23,737**	18,824
Current portion of interest-bearing bank and other borrowings	**7,647,436**	6,682,421
Current portion of other loans	**43,386**	44,562
Current portion of bonds payable	**2,538,514**	–
Current portion of employee benefits payable	**27,271**	23,094
Current portion of lease liabilities	**325,796**	325,126
Taxes payable	**46,970**	52,560
	13,337,825	9,892,842
TOTAL LIABILITIES	**29,466,654**	30,357,511
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**4,762,692**	4,762,692
Reserves	**23,828,354**	29,859,136
	28,591,046	34,621,828
Non-controlling interests	**1,331,237**	980,518
TOTAL EQUITY	**29,922,283**	35,602,346

Notes:

1. CORPORATE INFORMATION

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

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

(a) investment holding; and/or

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

(c) vessel chartering; and/or

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

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

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

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

2. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2021 but are extracted from these financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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

– investment properties;

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

– derivative financial instruments.

2. BASIS OF PREPARATION (CONTINUED)

Going concern

As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB6,852 million and cash and cash equivalents decreased by RMB1,346 million from last year. In addition, the Group recorded a loss of RMB4,667 million for the year ended 31 December 2021. In preparing these financial statements, the Board considers the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for period of not less than the coming 12 months. As at 31 December 2021, the Group has total unutilised uncommitted credit facilities of approximately RMB21,729 million from banks. The Board believes that, based on experience to date, the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. With the cash inflows from operations and available credit facilities, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for not less than the coming 12 months. Accordingly, the Board believes that it is appropriate to prepare these financial statements on a going concern basis.

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 year are accrued using tax rate that would be applicable to expected total earnings.

(a) New standards, amendments and interpretation adopted by the Group in the year ended 31 December 2021

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

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

The adoption of the above new amendments starting from 1 January 2021 did not give rise to significant impact on the Group's results of operations and financial position for the year ended 31 December 2021.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE (CONTINUED)

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

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

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

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

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 categorized as follows:

a. oil shipment

  – oil shipment

  – vessel chartering

b. LNG

c. others

  – Others mainly include LPG shipping. (LPG Shipping business has been sold in 2020)

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

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Business segments

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

	For the year ended 31 December			
	2021		2020	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment				
– Oil shipment	**10,573,854**	**(3,988,708)**	13,608,089	3,013,119
– Vessel chartering	**839,744**	**(752,257)**	1,352,838	193,330
	11,413,598	**(4,740,965)**	14,960,927	3,206,449
LNG	**1,231,102**	**651,496**	1,266,743	662,585
Others	**–**	**–**	40,527	12,610
	12,644,700	**(4,089,469)**	16,268,197	3,881,644
Other income and gains, net		**403,695**		12,100
Marketing expenses		**(50,335)**		(56,192)
Administrative expenses		**(905,495)**		(811,088)
Reversal of impairment losses on financial and contract assets		**33,777**		5,508
Other expenses		**(61,824)**		(25,925)
Share of profits of associates		**254,727**		247,150
Share of profits of joint ventures		**714,288**		690,558
Finance costs		**(826,672)**		(1,039,721)
(Loss)/profit before tax		**(4,527,308)**		2,904,034

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

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

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

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

During the years ended 31 December 2021 and 2020, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Total segment assets		
Oil shipment	**44,418,031**	51,845,833
LNG	**13,973,544**	13,117,400
Others	**997,362**	996,624
	59,388,937	65,959,857
Total segment liabilities		
Oil shipment	**21,135,306**	21,361,993
LNG	**8,324,540**	8,990,598
Others	**6,808**	4,920
	29,466,654	30,357,511

As at 31 December 2021, the total net carrying amount of the Group's oil tankers and LNG vessels were RMB33,120,413,000 (31 December 2020: RMB37,623,611,000) and RMB7,829,086,000 (31 December 2020: RMB8,304,052,000) respectively.

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Geographical segments

	For the year ended 31 December			
	2021		2020	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By geographical area:				
Domestic	**5,669,946**	**762,204**	5,425,735	1,498,852
International	**6,974,754**	**(4,851,673)**	10,842,462	2,382,792
	12,644,700	**(4,089,469)**	16,268,197	3,881,644

Other information

	Oil shipment	**LNG**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Additions to non-current assets	**2,223,600**	**374,921**	**–**	**2,598,521**
Depreciation and amortisation	**2,538,158**	**289,065**	**4,437**	**2,831,660**
Impairment of vessels	**4,961,450**	**–**	**–**	**4,961,450**
Gains on disposal of property, plant and equipment, net	**22,275**	**–**	**–**	**22,275**
Interest income	**28,624**	**25,200**	**5**	**53,829**
Year ended 31 December 2020				
Additions to non-current assets	4,380,960	386,539	–	4,767,499
Depreciation and amortisation	2,693,251	307,852	3,340	3,004,443
Impairment of vessels	840,941	–	–	840,941
Gains/(losses) on disposal of property, plant and equipment, net	1,076	(9)	–	1,067
Interest income	74,541	26,543	560	101,644

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2021 and 2020.

5. OTHER INCOME AND GAINS, NET

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other income		
Government subsidies *(Note)*	**328,375**	39,993
Interest income from loan receivables	**34,583**	45,019
Bank interest income	**19,246**	56,625
Dividends received from financial assets at FVOCI	**13,010**	12,675
Rental income from investment properties	**328**	1,056
Others	**(4,675)**	(9,616)
	390,867	145,752
Other gains/(losses)		
Losses on disposal of shares in subsidiaries	**–**	(40,504)
Losses on disposal of investment properties, net	**–**	(3,513)
Exchange losses, net	**(14,559)**	(104,834)
Gains on disposal of property, plant and equipment, net	**22,275**	1,067
Others	**5,112**	14,132
	12,828	(133,652)
	403,695	12,100

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

6. FINANCE COSTS

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**480,621**	744,259
– corporate bonds	**129,253**	129,147
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**123,240**	111,471
– lease liabilities	**78,444**	98,678
– exchange loss/(gain), net	**15,114**	(43,834)
	826,672	1,039,721

During the Reporting Period, no interest expense is capitalised (for the year ended 31 December 2020: nil).

7. INCOME TAX EXPENSE

		For the year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Current income tax			
PRC	*(i)*		
– provision for the year		**124,324**	255,381
– adjustments for current tax of prior periods		**(5,710)**	2,155
Hong Kong			
– provision for the year		**964**	713
Other districts	*(ii)*		
– provision for the year		**686**	1,398
		120,264	259,647
Deferred tax		**19,536**	12,943
Total income tax expense		**139,800**	272,590

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (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

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Final dividend for 2020 – RMB0.2 (31 December 2020: Final dividend for 2019 – RMB0.04) per share	**952,538**	190,508

Final dividend of RMB0.2 per share in respect of the year ended 31 December 2020 was approved by shareholders at the annual general meeting held on 30 June 2021 and a total amount of RMB952,538,000 was paid during the Reporting Period.

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2021.

9. EARNINGS PER SHARE

(a) Basic

	For the year ended 31 December	
	2021	2020
(Loss)/profit attributable to equity holders of the Company *(RMB'000)*	**(4,985,386)**	2,381,415
Weighted average number of ordinary shares in issue *(thousand)*	**4,762,692**	4,580,027
Basic (loss)/earnings per share *(RMB cents/share)*	**(104.68)**	52.00

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

(b) Diluted

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

	For the year ended 31 December	
	2021	2020
(Loss)/profit attributable to equity holders of the Company *(RMB'000)*	**(4,985,386)**	2,381,415
Weighted average number of ordinary shares in issue *(thousand)*	**4,762,692**	4,580,027
Adjustments for share options *(thousand)*	**–**	3,159
Weighted average number of ordinary shares for diluted earnings per share *(thousand)*	**4,762,692**	4,583,186
Diluted (loss)/earnings per share *(RMB cents/share) (Note)*	**(104.68)**	51.96

Note: The amount of diluted loss per share is the same as basic loss per share for the year ended 31 December 2021 as the effect of share options is anti-dilutive.

II. MANAGEMENT DISCUSSION AND ANALYSIS

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

(1) Industry and characteristics

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

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

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

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

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

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

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

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

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

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

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

2. Analysis of the energy transportation market during the Reporting Period

(1) International oil shipping market

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

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

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

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

(2) Domestic oil shipping market

Domestic crude oil shipping market:

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

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

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

Domestic product oil shipping market:

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

(3) LNG shipping market

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

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

3. Review of operating results during the Reporting Period

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

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

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

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

(1) Revenue from principal operations

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

Principal operations by products transported

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

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

Principal Operations by Geographical Regions

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

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

(2) Shipping business – Oil and Gas Shipping

International oil shipment business:

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

Operational highlights of the international tanker fleet are as follows:

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

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

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

Domestic oil shipping business:

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

Operational highlights are as follows:

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

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

LNG shipping business

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

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

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

4. Costs and expenses analysis

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

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

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

5. Operating results of the joint ventures and the associates

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

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

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

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

6. Financial analysis

(1) Net cash generated from operating activities

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

(2) Capital commitments

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

Note:

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

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

(3) Capital Structure

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

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

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

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

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

(4) Trade and bills receivables and contract assets

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

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

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

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

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

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

(5) Trade and bills payables

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

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

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

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

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

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

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

(6) Derivative financial instruments

As at 31 December 2021, the Group had interest rate swap agreements with total notional principal amount of approximately USD507,350,000 (equivalent to RMB3,234,711,000) (31 December 2020: approximately USD527,507,000 (equivalent to RMB3,441,930,000)) which will mature in 2031, 2032 and 2033 (31 December 2020: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

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

(7) Interest-bearing bank and other borrowings

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

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

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

(8) Bonds payable

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

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

(9) Contingent liabilities

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

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

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

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

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

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

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

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

(10) Foreign exchange risk management

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

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

(11) Interest rate risk management

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

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

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

7. Others

Fleet expansion projects

In 2021, the Group achieved further fleet expansion.

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

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

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

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

8. Outlook and highlights for 2021

(1) Competitive landscape and trends in the industry

International oil shipping market

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

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

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

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

Domestic oil shipping market

Domestic crude oil transportation market

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

Domestic product oil transportation market:

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

LNG shipping market:

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

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

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

New energy transportation business:

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

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

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

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

(2) Development strategies of the Company

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

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

(3) Operational plans

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

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

(4) Work initiatives of the Company

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

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

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

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

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

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

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

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

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

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

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

9. Other significant events

(1) Results, dividends and closure of the H Share register

The Board did not recommend the payment of a final dividend in respect of the year 2021 to shareholders.

The Company will separately announce the arrangement in relation to the closure of the H share register of members for the annual general meeting of the Company in due course.

(2) Medical insurance scheme

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

Since 1 July 2010, the Company has developed a defined medical insurance scheme according to advocacy by the State for the establishment of a multi-level enterprise medical security system and of the "Notice on Enterprise Income Tax Policies Relating to Defined Contribution Retirement Insurance and Defined Medical Insurance" (CaiShui 2009 No. 27). Under the scheme, the Company shall make a provision of 5% of the total salary of employees, which shall be deposited into a special account for defined medical insurance fund.

(3) Pension and Enterprise annuity schemes

(i) PRC (other than Hong Kong)

Pension scheme

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent approximately to 16% (2020: 16%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB34,862,000 (2020: RMB3,965,000).

Enterprise annuity scheme

In 2008, the representatives of the Group's Labour Union and the Board resolved to approve and adopt an enterprise annuity scheme. From 1 February 2018, pursuant to the annuity scheme the employer's contributions will be 8% of the total staff costs of the previous year. The employees' contributions will be 2% of their income from the previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as employer's contributions in 2021 amounted to RMB29,699,000 (2020: RMB28,095,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the Directors, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(ii) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the Reporting Period amounted to RMB212,000 (2020: RMB211,000).

(4) Incentive Scheme

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

As of 31 December 2021, 23 participants with a total of 6.68 million share options were invalid due to retirement, resignation, etc., and the number of participants of the Incentive Scheme was adjusted to 110 from 133, the number of share options was adjusted to 28,780,000 from 35,460,000.

Due to the payment of the Company's final dividend before option exercise, a cash dividend of RMB0.02 per share was distributed to holders of the A shares on 27 June 2019 as the date of record, the exercise price of the share options granted to the participants under the Incentive Scheme has been adjusted accordingly from RMB6.00 per share to RMB5.98 per share. Relevant issues have been reviewed and approved by the Company's second Board meeting in 2020.

The Company's final dividend before option exercise, a cash dividend of RMB0.04 per share was distributed to holders of the A shares on 9 July 2020 as the date of record, the exercise price of the share options granted to the participants under the Incentive Scheme has been adjusted accordingly from RMB5.98 per share to RMB5.94 per share. Relevant issues have been reviewed and approved by the Company's thirteenth Board meeting held on 29 October 2020.

The Company's final dividend before option exercise, a cash dividend of RMB0.20 per share was distributed to holders of the A shares on 15 July 2021 as the date of record, the exercise price of the share options granted to the participants under the Incentive Scheme has been adjusted accordingly from RMB5.94 per share to RMB5.74 per share. Relevant issues have been reviewed and approved by the Company's ninth Board meeting held on 30 August 2021.

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

As at 31 December 2021, the Directors, Supervisors and chief executive(s) of the Company who had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") were as follows:

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

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

Notes:

(1) A – A Shares
H – H Shares

(2) L – Long position

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

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

Name of associated corporation	Name of Director/ Supervisor	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Teo Siong Seng	Beneficial owner	H	146,250(L)	0.00436%	0.00091%
	Mr. Yang Lei	Beneficial owner	H	131,400(L)	0.00392%	0.00082%
		Interest of spouse(4)	H	2,000(L)	0.00006%	0.00001%
		Interest of spouse(4)	A	8,000(L)	0.00024%	0.00005%
COSCO SHIPPING Development Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	213,000(L)	0.00579%	0.00183%
COSCO SHIPPING Ports Limited	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597(L)	0.00080%	0.00080%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000(L)	0.04305%	0.04305%

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

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

As at 31 December 2021, save as disclosed above, none of the Directors, Supervisors and chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

(7) Compliance with the Corporate Governance Code

The Board is committed to the principles of corporate governance for a value-driven management that is focused on enhancing shareholders' value. In order to enhance independence, accountability and responsibility, the posts of chairman of the Board and the chief executive officer are assumed by different individuals so as to maintain independence and balanced views.

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021.

The Company has established five professional committees under the Board, namely the audit committee, the remuneration and appraisal committee, the strategy committee, the nomination committee and the risk control committee, with defined terms of reference.

(8) Audit Committee

The Company has established an audit committee to review the financial reporting procedures and internal control and to provide guidance thereto. The audit committee of the Company comprises three independent non-executive Directors.

The audit committee of the Company has reviewed the annual results of the Company for the Reporting Period.

(9) Remuneration and Appraisal Committee

The remuneration and appraisal committee of the Company comprises three independent non-executive Directors. The Remuneration and Appraisal Committee (the "**Remuneration and Appraisal Committee**") has adopted terms of reference which are in line with the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

(10) Nomination Committee

The nomination committee of the Company (the "**Nomination Committee**") comprises three independent non-executive Directors. The Nomination Committee has adopted terms of reference which are in line with the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

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

The Company has adopted a code of conduct regarding Directors' securities transactions in accordance with the required standard set out in the Model Code.

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

(12) Employees

The adjustments of employee remuneration is 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 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 31 December 2021, the Company had 7,781 (31 December 2020: 7,398) employees. During the Reporting Period, the total staff costs was approximately RMB3,197 million (2020: approximately RMB2,720 million).

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

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

(14) Significant Investments

As of 31 December 2021, the Group did not have any individual investment with a fair value of 5% or more of its total assets. Accordingly, the Group did not hold any significant investments during the Reporting Period.

(15) Publication of annual results on the website of the Stock Exchange

An annual report of the Company containing all the financial and relevant information as required under the Listing Rules will be posted on the website of the Stock Exchange in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2021 and 2020, 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, which will contain an unqualified auditors' report, will be delivered to the Companies Registry of Hong Kong, and delivered to shareholders as well as made available on the Company's website at http://energy.coscoshipping.com.

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

Shanghai, People's Republic of China
30 March 2022

As at the date of this announcement, the Board of the Company 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*