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)

2022 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenues of the Group for the Reporting Period increased by approximately 23% to approximately RMB7,475 million
- Profit for the Reporting Period attributable to equity holders of the Company decreased by approximately 69% to approximately RMB178 million
- The basic and diluted earnings per share for the Reporting Period were RMB3.73 cents and RMB3.73 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 2022 (or the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

	Note	Six months ended 30 June 2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Profit for the period attributable to:			
Equity holders of the Company		**177,600**	581,974
Non-controlling interests		**166,121**	161,899
Profit for the period		**343,721**	743,873
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**794,549**	669,010
Non-controlling interests		**354,816**	311,336
		1,149,365	980,346
Earnings per share	*9*		
– Basic (RMB cents/share)		**3.73**	12.22
– Diluted (RMB cents/share)		**3.73**	12.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

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

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

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 Group were involved in the following principal activities:

(a) investment holding; and/or

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

(c) vessel chartering; and/or

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

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

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

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

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

The Interim Financial Information has not been audited.

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 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") except for the adoption of new and amended standards as disclosed in Note 3.

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

– investment properties;

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

– derivative financial instruments.

Going concern

As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately RMB5,576 million and cash and cash equivalents increased by RMB57 million from last year. In addition, the Group recorded a profit of RMB344 million for the Reporting Period. In preparing the Interim Financial Information, the Board considers the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for period of not less than the coming 12 months. As at 30 June 2022, the Group has total unutilised uncommitted credit facilities of approximately RMB41,346 million from banks. The Board believes that, based on experience to date, the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. With the cash inflows from operations and available credit facilities, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for not less than the coming 12 months. Accordingly, the Board believes that it is appropriate to prepare the Interim Financial Information on a going concern basis.

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 2021 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total earnings.

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

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

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

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

Certain new accounting standard, amendments and interpretation have been published but are not mandatory for the financial year beginning 1 January 2022 and have not been early adopted by the Group. These new accounting standard, amendments and interpretation are not expected to have a material impact on the Group's financial statements when they become effective.

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 shipping

- oil shipping
- vessel chartering

(ii) LNG shipping

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

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

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. Therefore, the Group takes the expedient not to disclose the unsatisfied performance obligation under HKFRS 15.

Segment contribution represents the gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior management), marketing expenses, 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.

4. REVENUES AND SEGMENT INFORMATION *(Continued)*

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

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

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

Geographical segments

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

4. REVENUES AND SEGMENT INFORMATION *(Continued)*

Other information

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

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

5 OTHER INCOME AND NET GAINS

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

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

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

7. INCOME TAX EXPENSE

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

7. INCOME TAX EXPENSE *(Continued)*

Note:

(i) PRC Corporate Income Tax

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

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

8. DIVIDENDS

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

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

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

9. EARNINGS PER SHARE

(a) Basic

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

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.

9. EARNINGS PER SHARE *(Continued)*

(b) Diluted

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

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

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

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

(2) The competitive position and operation model in industry

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

In terms of fleet size, the Group is the world's largest oil tanker owner, covering all mainstream tanker types, and stands out globally with its complete type of vessels. As of 30 June 2022, the Group owned 161 oil tankers with a total capacity of 23.65 million deadweight tons ("**DWT**"). The Group's joint ventures and associated companies owned 14 oil tankers with a total capacity of 0.83 million DWT.

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Company holds 50% equity, are the leading large-scale LNG transportation companies in China. As of 30 June 2022, the Group had 49 jointly-invested LNG vessels, all of which are Project Vessels with stable income. Among them, 38 LNG vessels with a capacity of 6.42 million cubic meters have been put into operation; 11 LNG vessels with a capacity of 1.91 million cubic meters were under construction. In recent years, as the LNG carriers, for which the Group is involved in investment and construction, are gradually put into operation, the Group's LNG transportation business has accelerated into the harvest period.

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

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

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

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

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

(1) International oil shipping market

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

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

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

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

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

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

(2) Domestic oil shipping market

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

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

(3) LNG shipping market

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

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

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

3. Review of operating results during the Reporting Period

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

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

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

(1) Revenues from Principal Operations

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

Principal Operations by Products Transported

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

Principal Operations by Geographical Regions

Geographical regions	Revenue	Operating costs	Gross profit margin	Increase/ (decrease) in revenues as compared with the same period in 2021	Increase/ (decrease) in operating costs as compared with the same period in 2021	Increase/ (decrease) in gross profit margin as compared with the same period in 2021
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	2,940,649	2,216,876	24.6	6.5	19.2	(8.1)
International shipping	4,534,333	4,634,257	(2.2)	36.7	40.5	(2.7)
Total	7,474,982	6,851,133	8.3	23.0	32.8	(6.8)

(2) Shipping Business – Oil and LNG Shipping

International oil shipping business:

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

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

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

(1) Adopted different operating strategies for different types of vessels by taking advantage of the global service outlets. Our 11 self-operated LR1 tankers had created a certain advantage in scale, with more capacity being allocated to routes with high yields. We signed new COAs to lock in cargo sources and undertook the return cargoes of the North-East Asia route to build the "China-Singapore-Middle East-Far East" grand triangular route for our LR fleet. The Australia route had matured with the west reaching East Africa and Europe. The shipping routes and customer groups had realized diversity.

(2) In view of the market situation of different vessel types in domestic and international shipping in the first half of the year, we seized the periodic opportunities in the international oil shipping market and improved the overall fleet efficiency by making full use of our vessels suitable for both domestic and international voyages to adjust the capacity allocation, in particular, we put 3 domestic vessels into international oil shipping, and changed one clean petroleum product ("**CPP**") vessel into dirty petroleum product ("**DPP**") segment.

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

Domestic oil shipping business:

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

(1) We signed COA contracts with several key customers and locked more than 90% of the primary supply. We consolidated our market share in domestic crude oil shipping market, which reached approximately 57%. We also developed new customers to diversify customer resources and route layout, thereby ensuring the supply for the fleet in coastal operating areas.

(2) Despite the impact of repeated domestic pandemic, we arranged customized shipping capacity for customers in key regions, and formulated measures such as 'self-docking and self-berthing, un-contacted cloud measurement' to ensure the smooth logistics of raw material supply for customers, thereby providing shipping capacity guarantee for the petrochemical industry in terms of smooth operation and resumption of work and production.

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

LNG shipping business:

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

(1) The Group seized the opportunity to sign long-term contracts with traders, actively participated in the domestic and international tenders, and promoted the implementation of LNG shipping projects. During the Reporting Period, the Group's LNG fleet size grew steadily. As of the end of the Reporting Period, the Group has invested 49 LNG vessels.

(2) The Group promoted the independent operation of LNG shipping projects and covered the entire LNG shipping business chain. For the first time, the Group provided Sinochem with long-term LNG shipping services, which was also the first LNG shipping project that was invested, supervised and managed by the Group independently.

(3) The safety system of the LNG ship management company in Hong Kong passed the American Bureau of Shipping ("**ABS**") on-site audit and successfully obtained the document of compliance ("**DOC**") provisional certificate. Meanwhile, the LNG ship management company in Hong Kong also promoted the construction of a high-standard ship management system, equipped with high-quality management personnel and expanded the team of high-level crew members, thereby laying an important foundation for the Group to improve the operation capability of the entire LNG transportation chain.

4. Cost and expenses analysis

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

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

Reasons of the changes in cost and expenses:

(1) Fuel costs: In the first half of 2022, fuel costs increased by approximately 62.9% year-on-year, mainly due to the remaining influences of the imbalanced international crude oil market in 2021 pushing up the oil price and the Russia-Ukraine conflicts in 2022 leading a further increase on oil price.

(2) Sea crew costs: In the first half of 2022, sea crew costs increased by approximately 32.1%, mainly due to the impact of the sea crew market and year-on-year increase on epidemic subsidies and quarantine expenses.

(3) Repair expenses: In the first half of 2022, repair expenses increased by approximately 16.3%, mainly due to the periodic influence of dry docking projects.

(4) Charter costs: In the first half of 2022, charter costs increased by approximately 89.7%, mainly due to a combination of factors such as the increase in oil transportation business volume and demand, the consequent increase in demand for chartering vessels and the fluctuation of chartering prices.

5. Operating results of the joint ventures and the associates

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

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

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

(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%	5.84	951,520	275,142

6. Financial analysis

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB812,851, representing a decrease of approximately 49% as compared to approximately RMB1,605,367 for the six months ended 30 June 2021.

(2) Capital commitments

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

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2022 to 2026.

(ii) Included in capital commitments in respect of equity investments are commitments to invest in an associate of the Group.

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

(3) Capital Structure

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

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

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

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

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

(4) Trade and bills receivables and contract assets

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

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

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

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

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

(5) Trade and bills payables

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

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

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

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

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

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

(6) Derivative financial instruments

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

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

(7) Interest-bearing bank and other borrowings

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

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

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

(8) Bonds payable

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

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

(9) Contingent liabilities and guarantee

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

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

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

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

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

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

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377,500,000 (equivalent to approximately RMB2,533,554,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed. As at 30 June 2022, the balance of guarantees was USD314,107,000 (equivalent to approximately RMB2,108,099,000).

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provided owner's guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB30,201,000). The guarantee period is limited to the lease period.

(10) Foreign exchange risk management

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

(11) Interest rate risk management

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

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

7. Fleet expansion projects

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

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

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

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

8. Outlooks and highlights of the second half of 2022

(1) Competitive landscape and development trends in the industry

International oil shipping market

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

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

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

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

Domestic oil shipping market

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

LNG shipping market

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

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

(2) Highlights for the second half of 2022

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

(1) The Company will actively serve global customers and ensure the safety and stability of the energy supply chain. To meet the needs of global customers, the Company will strengthen customized services that provide customers with convenient and suitable shipment capacity. In addition, it will give full play to its operating advantages, such as its capacity of oil tanker fleet and LNG fleet, global network layout and customer management system, so as to provide customers with a solid shipment guarantee for energy transportation and trade.

(2) The Company will closely monitor the changes in the international oil trade pattern to seize market opportunities and flexibly adjust the operation layout of VLCCs. Moreover, it will prefer the westbound cargoes and actively build a big triangle route to improve the overall efficiency of the voyages. Under the background of favorable spot freight rates for small and medium-sized vessels in foreign trade, the Group will facilitate flexible linkage among fleets and explore time charter opportunities in a timely manner.

(3) The Company will further improve customer service levels by providing logistics optimization solutions and improving capacity adaptation for domestic and foreign customers. Moreover, the Company will actively follow up with potential transportation demand, and explore new growth points of transportation demand, so as to acquire high-quality new cargo sources.

(4) The Company will conduct market research and analysis on LNG transportation, continue to seize the market opportunities brought by the goal of carbon peaking and carbon neutrality, optimize its marketing strategies, and increase its efforts in project development. Moreover, the Company will strictly monitor the construction of vessels to ensure that new buildings can be delivered on schedule and put into operation with high quality. In addition, the Company will coordinate vessel management resources, comply with world-class standards, as well as make LNG Hong Kong better and stronger, so as to enhance the comprehensive competitiveness in LNG transportation.

(5) The Company will strive to tap the potential of cost reduction and efficiency improvement. To this end, it will strengthen the research into the fuel market and improve judgment so as to lock in fuel for the future and procure at present scientifically. It will also refine the management of fuel consumption in daily operation by formulating saving plans on a ship-by-ship basis, so that the fuel consumptions in adding oil temperature of oil tanker and other parts during voyages are well-controlled. Besides, it will scientifically evaluate the operating cost of the vessels' whole life cycle to make corresponding investments in a tailor-made manner. At last, it will continue to facilitate the execution of preferential port usage agreements.

(6) The Company will keep optimizing its risk control system to build up a solid foundation for risk prevention and control. It will follow all requirements in every way to safeguard its operating activities. In particular, it will strengthen the prevention and control of safety risks and the identification of hidden dangers to ensure the smooth operation of the fleet. Furthermore, it will implement sufficient anti-pandemic measures both on and off the ships as well as mobilise internal and external resources as required to promote the shift change of crew during the pandemic.

(7) The Company will keep tracking the technology development of vessels with green, low-carbon and intelligent features and the new shipbuilding market, and make more research on renewable energy powered transportation and green vessels to accumulate technologies of renewable energy powered vessels and get ready to carry out such transportation business. The Company will also monitor the fluctuations in value of vessels and revenue from dismantling closely and improve the tanker fleet structure at the first opportunity.

(8) The Company will keep improving its comprehensive governance efficiency and production and operation quality by adhering to the principle of "driven by business and leading by demand" through applying digital technology and increasing cooperation and investment in technological research and development to enhance the efficiency of the Group's core business systems and facilitate vessel safety management. In addition, the Group will advance its benchmarking management more comprehensively and pay special attention to the corresponding transforming results in fields of market operation and cost control. Furthermore, the Group will improve the overall quality of its workforce continuously by recruiting more young professionals, providing trainings to the entire staff, etc., to help the Group develop along a high-quality and innovation road.

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 Part 2 of 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

Save for the 8,084,510 A shares alloted and issued as a result of exercise of share options granted under the share option incentive schemes, 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. Zhao Jinsong and Mr. Wang Zuwen.

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

5. Remuneration and Appraisal Committee

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

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

8. 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. The major terms of reference of the Risk Control Committee are to consider risk control strategies and major risk control solutions, to review the effectiveness of the Company's risk management, to consider major decisions and risk assessment report of major projects, to guide and promote the legal construction of the Company, and supervise the legal operation of the Company by the management and other risk control matters authorized by the Board.

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

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 2022, 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 2022

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

* *For identification purposes only*