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 2022

FINANCIAL HIGHLIGHTS

- Revenues of the Group increased by approximately RMB5,922 million and by 47% from RMB12,645 million in 2021 to RMB18,567 million in 2022

- Profit for the year attributable to equity holders of the Company was RMB1,461 million in 2022 as compared to loss for the year attributable to equity holders of RMB4,985 million in 2021

- The basic and diluted earnings per share for 2022 was RMB30.65 cents and RMB30.60 cents respectively as compared to basic and diluted loss per share of RMB104.68 cents for 2021

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 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

	Note	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**1,461,118**	(4,985,386)
Non-controlling interests		**327,474**	318,278
Profit/(loss) for the year		**1,788,592**	(4,667,108)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		**2,934,742**	(5,075,283)
Non-controlling interests		**710,893**	493,151
		3,645,635	(4,582,132)
Earnings/(losses) per share	*9*		
– Basic (RMB cents/share)		**30.65**	(104.68)
– Diluted (RMB cents/share)		**30.60**	(104.68)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

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

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Provision and other liabilities	**18,634**	15,286
Derivative financial instruments	**–**	556,105
Interest-bearing bank and other borrowings	**20,746,728**	12,667,077
Other loans	**945,044**	911,337
Employee benefits payable	**159,908**	166,301
Lease liabilities	**1,086,548**	1,329,584
Deferred tax liabilities	**1,132,313**	483,139
	24,089,175	16,128,829
CURRENT LIABILITIES		
Trade and bills payables	**1,939,321**	1,780,544
Other payables and accruals	**1,000,003**	904,171
Contract liabilities	**18,894**	23,737
Current portion of interest-bearing bank and other borrowings	**7,018,242**	7,647,436
Current portion of other loans	**48,678**	43,386
Current portion of bonds payable	**–**	2,538,514
Current portion of employee benefits payable	**30,521**	27,271
Current portion of lease liabilities	**370,554**	325,796
Taxes payable	**164,304**	46,970
	10,590,517	13,337,825
TOTAL LIABILITIES	**34,679,692**	29,466,654
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**4,770,776**	4,762,692
Reserves	**26,799,707**	23,828,354
	31,570,483	28,591,046
Non-controlling interests	**1,999,907**	1,331,237
TOTAL EQUITY	**33,570,390**	29,922,283

Notes:

1. CORPORATE INFORMATION

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.

The Group were involved in the following principal activities:

(a) investment holding; and/or

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

(c) vessel chartering; and/or

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Compliance with HKFRS and HKCO

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

(b) Historical cost convention

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

Going Concern

As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB2,208 million. In preparing these financial statements, the Board considers the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for period of not less than the coming 12 months. As at 31 December 2022, the Group has total unutilized uncommitted credit facilities of approximately RMB38,621 million from banks. The Board believes that, based on experience to date, the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. With the cash inflows from operations and available credit facilities, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for not less than the coming 12 months. Accordingly, the Board believes that it is appropriate to prepare these financial statements on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATE

(a) New standards, amendments and interpretation adopted by the Group in the year ended 31 December 2022

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

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

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transaction.

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

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

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

b. LNG

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

Business segments

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

	For the year ended 31 December			
	2022		2021	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment				
– Oil shipment	**15,745,050**	**2,466,067**	10,573,854	(3,988,708)
– Vessel chartering	**1,502,933**	**286,734**	839,744	(752,257)
	17,247,983	**2,752,801**	11,413,598	(4,740,965)
LNG	**1,318,812**	**655,998**	1,231,102	651,496
	18,566,795	**3,408,799**	12,644,700	(4,089,469)
Other income and gains, net		**347,844**		403,695
Marketing expenses		**(57,273)**		(50,335)
Administrative expenses		**(947,749)**		(905,495)
(Provision for)/reversal of impairment losses on financial and contract assets		**(4,402)**		33,777
Other expenses		**(43,125)**		(61,824)
Share of profits of associates		**317,497**		254,727
Share of profits of joint ventures		**725,255**		714,288
Finance costs		**(993,999)**		(826,672)
Profit/(loss) before tax		**2,752,847**		(4,527,308)

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

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

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

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

During the years ended 31 December 2022 and 2021, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Total segment assets		
Oil shipment	**46,243,327**	44,418,031
LNG	**19,458,471**	13,973,544
Others	**2,548,284**	997,362
	68,250,082	59,388,937
Total segment liabilities		
Oil shipment	**24,162,945**	21,135,306
LNG	**10,505,909**	8,324,540
Others	**10,838**	6,808
	34,679,692	29,466,654

As at 31 December 2022, the total net carrying amount of the Group's oil tankers and LNG vessels were RMB33,683,815,000 (31 December 2021: RMB33,120,413,000) and RMB10,901,939,000 (31 December 2021: RMB7,829,086,000) respectively.

4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

Geographical segments

	For the year ended 31 December			
	2022		2021	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By geographical area:				
Domestic	**5,892,937**	**1,292,503**	5,669,946	762,204
International	**12,673,858**	**2,116,296**	6,974,754	(4,851,673)
	18,566,795	**3,408,799**	12,644,700	(4,089,469)

Other information

	Oil shipment	**LNG**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022				
Additions to non-current assets	**1,310,725**	**3,150,525**	**263**	**4,461,513**
Depreciation and amortisation	**2,496,861**	**313,209**	**4,643**	**2,814,713**
Gains on disposal of property, plant and equipment, net	**73,945**	**–**	**–**	**73,945**
Interest income	**57,280**	**23,860**	**–**	**81,140**
Year ended 31 December 2021				
Additions to non-current assets	2,223,600	374,921	–	2,598,521
Depreciation and amortisation	2,538,158	289,065	4,437	2,831,660
Impairment of vessels	4,961,450	–	–	4,961,450
Gains on disposal of property, plant and equipment, net	22,275	–	–	22,275
Interest income	28,624	25,200	5	53,829

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2022 and 2021.

5. OTHER INCOME AND GAINS, NET

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other income		
Government subsidies *(Note)*	**148,932**	328,375
Interest income from loan receivables	**53,108**	34,583
Bank interest income	**28,032**	19,246
Dividends received from financial assets at FVOCI	**15,809**	13,010
Rental income from investment properties	**298**	328
Others	**(10,636)**	(4,675)
	235,543	390,867
Other gains		
Exchange gains/(losses), net	**38,356**	(14,559)
Gains on disposal of property, plant and equipment, net	**73,945**	22,275
Others	**–**	5,112
	112,301	12,828
	347,844	403,695

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

6. FINANCE COSTS

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**829,390**	480,621
– corporate bonds	**88,286**	129,253
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**80,219**	123,240
– lease liabilities	**65,702**	78,444
– exchange (gains)/losses, net	**(50,244)**	15,114
	1,013,353	826,672
Less: interest capitalised	**(19,354)**	–
	993,999	826,672

During the 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% (2021: Nil) per annum.

7. INCOME TAX EXPENSE

	Note	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Current income tax			
PRC			
– provision for the year	*(i)*	**280,269**	124,324
– adjustments for current tax of prior periods		**(177)**	(5,710)
Hong Kong			
– provision for the year		**1,062**	964
Other districts			
– provision for the year	*(ii)*	**2,023**	686
		283,177	120,264
Deferred income tax			
Decrease in deferred tax assets		**2,113**	2,389
Increase in deferred tax liabilities	*(iii)*	**678,965**	17,147
		681,078	19,536
Total income tax expense		**964,255**	139,800

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (for the year ended 31 December 2021: 25%) except for those entities with tax concession.

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

(iii) The Group adjusted the profit distribution policy of some overseas subsidiaries in 2022, and recorded deferred income tax liabilities of RMB630,428,000 based on the profit distribution plan and amount proposed by the overseas subsidiaries.

8. DIVIDENDS

	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Final dividend for 2021 – RMB nil (31 December 2021: Final dividend for 2020 – RMB0.2) per share	**–**	952,538

At the Board meeting held on 30 March 2023, the Directors proposed a final dividend of RMB715,616,000 representing RMB0.15 per share, in respect of the profits for the year ended 31 December 2022. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, and accordingly has not been recognised as a liability at the end of the year.

9. EARNINGS PER SHARE

(a) Basic

	For the year ended 31 December	
	2022	2021
Profit/(loss) attributable to equity holders of the Company *(RMB'000)*	**1,461,118**	(4,985,386)
Weighted average number of ordinary shares in issue *(thousand)*	**4,767,408**	4,762,692
Basic earnings/(loss) per share *(RMB cents/share)*	**30.65**	(104.68)

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

(b) Diluted

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

	For the year ended 31 December	
	2022	2021
Profit/(loss) attributable to equity holders of the Company *(RMB'000)*	**1,461,118**	(4,985,386)
Weighted average number of ordinary shares in issue *(thousand)*	**4,767,408**	4,762,692
Adjustments for share options *(thousand)*	**6,722**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousand)*	**4,774,130**	4,762,692
Diluted earnings/(loss) per share *(RMB cents/share) (Note)*	**30.60**	(104.68)

Note:

For the year ended 31 December 2022, the share options granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company.

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

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

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

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

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

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

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

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

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

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

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

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

(1) International oil shipping market

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

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

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

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

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

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

1 source: Dewry

2 source: Dewry

(2) Domestic oil shipping market

Domestic crude oil shipping market:

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

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

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

Domestic product oil shipping market:

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

(3) LNG shipping market

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

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

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

3. Review of operating results during the Reporting Period

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

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

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

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

(1) Revenue from principal operations

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

Principal operations by products transported

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

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

Principal Operations by Geographical Regions

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

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

(2) Shipping business – Oil and Gas Shipping

International oil shipment business:

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

Operational highlights of the international tanker fleet are as follows:

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

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

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

Domestic oil shipping business:

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

Operational highlights are as follows:

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

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

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

LNG shipping business

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

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

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

4. Costs and expenses analysis

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

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

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

5. Operating results of the joint ventures and the associates

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

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

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

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

6. Financial analysis

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB4,129,839,000, representing an increase of approximately 24% as compared to approximately RMB3,335,953,000 for the year ended 31 December 2021.

(2) Capital Commitments

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

Note:

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

(ii) Included in capital commitments in respect of equity investments are commitments to invest in a joint venture of the Group.

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB395,440,000 (31 December 2021: RMB387,974,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,226,710,000 (31 December 2021: RMB2,223,740,000).

(3) Capital Structure

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

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

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

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

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

(4) Trade and Bills Receivables and Contract Assets

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

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

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

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

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

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

(5) Trade and Bills Payables

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

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

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

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

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

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

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

(6) Derivative Financial Instruments

As at 31 December 2022, the Group had interest rate swap agreements with total notional principal amount of approximately USD734,232,000 (equivalent to RMB5,113,632,000) (31 December 2021: approximately USD507,350,000 (equivalent to RMB3,234,711,000)) which will mature in 2031, 2032, 2033, 2034 and 2035 (31 December 2021: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

For the year ended 31 December 2022, the floating interest rates of the bank borrowings were 3-month London Inter-bank offered Rate ("**LIBOR**") plus 2.20% and 3-month LIBOR plus 1.40% (31 December 2021: 3-month LIBOR plus 2.20%).

The Group has the following derivative financial instruments:

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

(7) Interest-Bearing Bank and Other Borrowings

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

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

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

(8) Bonds Payable

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
At the beginning of the year	**2,538,514**	2,495,824
Interest charge	**88,286**	129,253
Less: principal repayment	**(2,500,000)**	–
Interest repayment	**(126,800)**	(86,563)
	–	2,538,514
Less: current portion	**–**	(2,538,514)
Non-current portion	**–**	–

(9) Contingent Liabilities and Guarantee

(i) Aquarius LNG Shipping Limited ("**Aquarius LNG**") and Gemini LNG Shipping Limited ("**Gemini LNG**"), and Capricorn LNG Shipping Limited ("**Capricorn LNG**") and Aries LNG Shipping Limited ("**Aries LNG**") are associates of East China LNG Shipping Investment Co., Limited and North China LNG Shipping Investment Co., Limited, (the "**Four Associates**") respectively. In July 2011, each associate entered into a ship building contract for one LNG vessel. After the completion of each LNG vessel, the Four Associates would, in accordance with time charters agreements to be signed, lease their LNG vessels to the following charterers respectively:

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB57,110,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

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

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

(iii) Subsequent to the approval by shareholder at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of contract amount of USD377,500,000 (equivalent to RMB2,629,137,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. As at 31 December 2022, the actual guarantee amount provided by the Company is USD309,043,000, equivalent to approximately RMB2,152,363,000 (31 December 2021: USD324,045,000, equivalent to approximately RMB2,066,013,000).The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

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

(10) Foreign exchange risk management

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

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

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

(11) Interest rate risk management

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

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

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

7. Fleet expansion projects

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

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

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

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

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

8. Outlook and highlights for 2023

(1) Landscape and trends in the industry

International oil shipping market

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

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

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

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

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

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

Domestic oil shipping market

Domestic crude oil transportation market:

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

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

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

Domestic product oil transportation market:

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

LNG shipping market

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

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

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

(2) Development strategies of the Company

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

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

(3) Operational plans

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

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

(4) Work initiatives of the Company in 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Other significant events

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

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

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

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

(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. Meanwhile, 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 retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to approximately 16% (2021: 16%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB39,222,000 (2021: RMB34,862,000).

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 2022 amounted to RMB34,376,000 (2021: RMB29,699,000).

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

(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 RMB245,000 (2021: RMB212,000).

(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.

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.

In May 2022, the Company implemented the incentive scheme and as at 6 May 2022, the Company received a total amount of RMB46,405,087.40 for the exercise of 8,084,510 shares from 100 incentive recipients, of which RMB8,084,510 was credited to share capital and RMB38,320,577.40 was credited to capital reserve. On 27 May 2022, the Company completed the registration procedures for the exercise of the shares at the Shanghai branch of the China Securities Depository and Clearing Corporation, adding a total of 8,084,510 A shares, which were listed for circulation on 2 June 2022.

As at 31 December 2022, a total of 17,203,170 stock options lapsed and were cancelled due to the retirement and termination of employment of the incentive recipients and the expiry of the stock option exercise period.

As at 31 December 2022, a total of 10,172,320 stock options were outstanding under the Company's incentive scheme.

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

As at 31 December 2022, the Directors, Supervisors and chief executive(s) of the Company who had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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	Nature of interest	Class of shares[1]	Number of shares held[2]	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Zhu Maijin ("**Mr. Zhu**")[3]	Beneficial owner	A	244,420(L)	0.00703%	0.00512%
Zhao Jinsong	Beneficial owner	H	6,000(L)	0.00046%	0.00013%

Notes:

(1) A – A Shares
H – H Shares

(2) L – Long position

(3) This represents 102,980 A Shares held by Mr. Zhu. Mr. Zhu's entitlement to purchase up to 141,440 A Shares of the Company pursuant to the exercise of 141,440 share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

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

Name of associated corporation	Name of Director/ Supervisor	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	131,400(L)	0.00392%	0.00082%
		Interest of spouse[(4)]	H	2,000(L)	0.00006%	0.00001%
		Interest of spouse[(4)]	A	8,000(L)	0.00006%	0.00005%
COSCO SHIPPING Development Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	213,000(L)	0.00579%	0.00157%
COSCO SHIPPING Ports Limited	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597(L)	0.00077%	0.00077%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000(L)	0.04454%	0.04454%

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

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

As at 31 December 2022, save as disclosed above, none of the Directors, Supervisors and chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(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 2022.

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 (the "**Remuneration and Appraisal Committee**") comprises three independent non-executive Directors. 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 2022, the Company had 8,384 (31 December 2021: 7,781) employees. During the Reporting Period, the total staff costs was approximately RMB3,678 million (2021: approximately RMB3,197 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 2022, 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 2022 and 2021, 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 2023

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

* *For identification purposes only*