中遠海運能源運輸股份有限公司
# COSCO SHIPPING Energy Transportation Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Hong Kong Stock Exchange Stock Code: 01138)
(Shanghai Stock Exchange Stock Code: 600026)

# 2023
## ANNUAL REPORT

# CONTENT

# COMPANY PROFILE

COSCO SHIPPING Energy Transportation Co., Ltd. ("**COSCO SHIPPING Energy**" or the "**Company**", together with its subsidiaries, the "**Group**") is a specialised company engaging in shipment of oil and liquefied natural gas, operating under China COSCO SHIPPING Corporation Limited ("**COSCO SHIPPING**", together with its subsidiaries, "**COSCO SHIPPING Group**"). COSCO SHIPPING Energy is a merged entity from the energy transportation arms of China Ocean Shipping Company and China Shipping Company. Established in Shanghai on June 6, 2016, the Company is committed to becoming a whole-process energy transportation solution, providing customers with all-type, all-location and all-rounded energy shipping services.

COSCO SHIPPING Energy focuses on two core businesses, oil shipping and LNG transportation. Boasting years of rich experience and a great reputation, the Company has formed a good corporate image in the industry.

As one of the industry leaders, the Company operates globally with its complete variety of tankers. Taking vigorous efforts to develop VLCC POOL and enhance the operating fleet efficiency, the Company strives to deliver win-win results to both clients and shipowners.

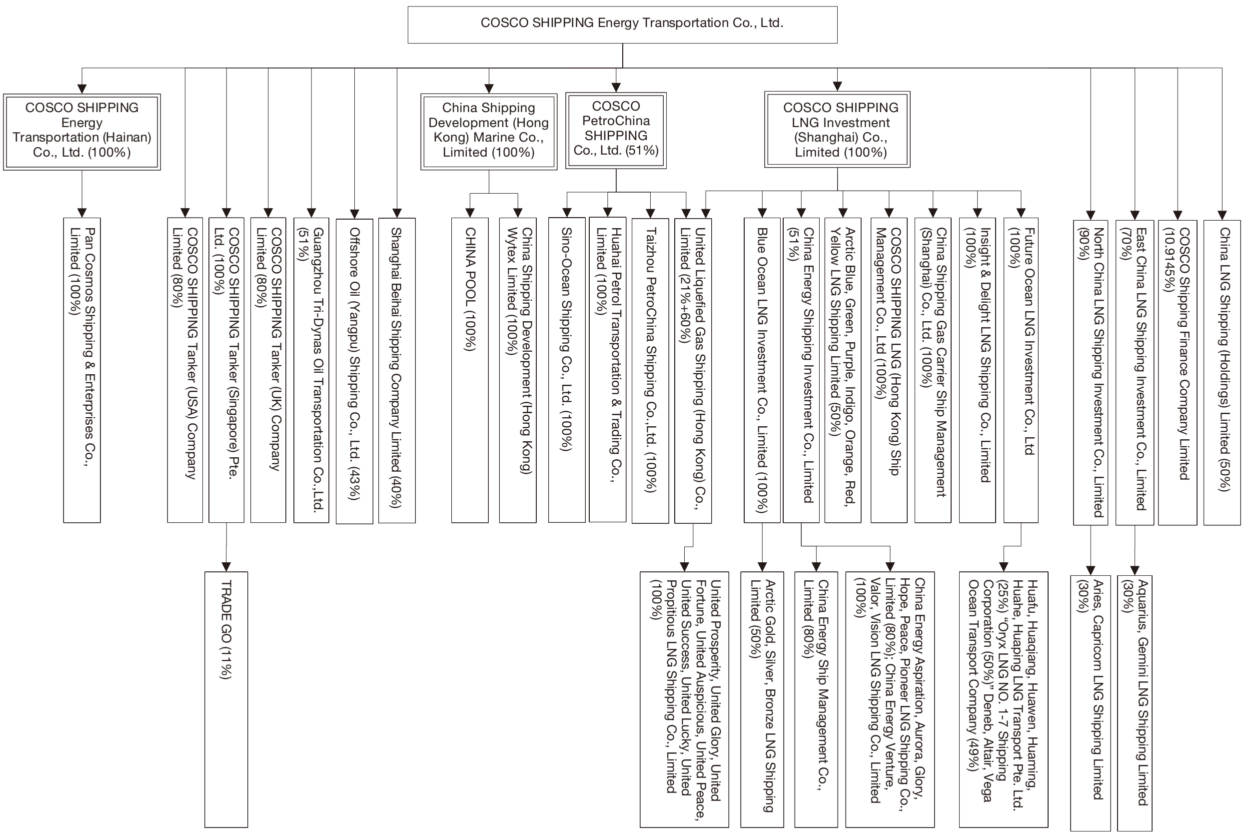
The Company is also a leader in China's LNG transportation business, and is currently an important player in the global market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, and China LNG Shipping (Holdings) Limited (CLNG), of which the Company holds 50% equity, are the only two large LNG transportation companies in China.

COSCO SHIPPING Energy has always adhered to the principle of "World-Leading Safety Marketing", and practices world-class safety management of liquid cargo carriers. After years of exploration and competition, the Company has established a stable and efficient safety management system, as well as a technical, transportation and ship management system that continuously upgrades itself.

COSCO SHIPPING Energy has established a global marketing service system and global security emergency support system. By giving full play to the functions of satellite offices, the Company keeps expanding its overseas market share, fully utilizes its fleet size advantage, and has achieved well-diversified clients, sources of cargos and shipping routes.

COSCO SHIPPING Energy is committed to being "an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive market reputation". It will rely on the "Belt and Road" Initiative, targeted at serving oil giants and strategic partners as part of its globalized strategy, to provide clients with globalized and round-the-clock energy shipping services with all vessel types.

As at 31 December 2023, the composition of the Group was as follows:



# FIVE-YEAR FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **RMB'000** | RMB'000 (Restated*) | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **21,912,456** | 18,566,795 | 12,644,700 | 16,268,197 | 13,721,140 |
| Profit before tax | **4,740,196** | 2,752,847 | (4,527,308) | 2,904,034 | 1,001,988 |
| Profit for the year | **3,657,841** | 1,788,092 | (4,667,108) | 2,631,444 | 671,604 |
| Profit for the year attributable to owners of the Company | **3,348,717** | 1,460,862 | (4,985,386) | 2,381,415 | 413,857 |
| | **RMB** | RMB | RMB | RMB | RMB |
| Earnings per share (Basic) | **0.7019** | 0.3064 | (1.0468) | 0.5200 | 0.1026 |
| Dividend per share | **0.35** | 0.15 | – | 0.20 | 0.04 |

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **RMB'000** | RMB'000 (Restated*) | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **72,083,612** | 68,250,453 | 59,388,937 | 65,959,857 | 65,841,861 |
| Total liabilities and non-controlling interests | **(37,692,108)** | (36,679,782) | (30,797,891) | (31,338,029) | (37,717,126) |
| Equity attributable to owners of the Company | **34,391,504** | 31,570,671 | 28,591,046 | 34,621,828 | 28,124,735 |
| | **RMB** | RMB | RMB | RMB | RMB |
| Net assets value per share | **7.208** | 6.617 | 6.003 | 7.269 | 6.975 |

## I. THE MAIN BUSINESSES, OPERATING MODEL OF THE COMPANY AND CONDITIONS OF THE INDUSTRY DURING THE YEAR ENDED 31 DECEMBER 2023 (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 Liquefied Natural Gas ("**LNG**") carriers have been recognised 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 2023, the Group owned and controlled 156 oil tankers with a total capacity of 23.06 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 2023, the Group had made investment in 83 LNG vessels, all of which are Project Vessels with stable income. Among them, 43 LNG vessels with a capacity of 7.20 million cubic meters have been put into operation; 40 LNG vessels with a capacity of 6.96 million cubic meters are under construction. In recent years, as the LNG carriers, for which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

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 co-operation 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.

## II. ANALYSIS OF THE ENERGY TRANSPORTATION MARKET

### 1. International oil shipping market

In 2023, the global economy was gradually recovering. According to the International Energy Agency ("**IEA**"), global oil demand increased by approximately 2.3 million barrels per day year-on-year to 101.7 million barrels per day, with non-Organization for Economic Co-operation and Development ("**non-OECD**") countries contributing most of the increased demand. Global oil supply increased by approximately 1.8 million barrels per day year-on-year to 101.9 million barrels per day, mainly driven by oil output growth in non-Organization of the Petroleum Exporting Countries ("**non-OPEC**") countries such as the United States, Brazil, and Guyana. Additionally, frequent international geopolitical conflicts continuously reshaped the global oil trading landscape, with vibrant trade in the Atlantic region and additional transoceanic routes, leading to overall longer transportation distances for oil tankers.

Against this backdrop, the international oil shipping market developed steadily amid an uptrend in 2023, with strong and volatile freight rates centered in relatively high historical ranges.

In terms of crude oil tanker market, China's crude oil imports reached a record high in 2023. The addition of new capacity in the Atlantic region offset the impact of OPEC+ production cuts on the crude oil tanker market, while geopolitics continued to deepen the reconstruction of oil trade flows. Under the combined impact of the above factors, the crude tanker tonne-mile demand rose by 6.2% year-on-year. Driven by the rebound in Chinese imports and increase in Atlantic-Asia long transoceanic routes, the very large crude carrier ("**VLCC**") market saw freight rates go up in the first quarter of 2023, which was out of line with seasonal patterns. Freight rates gradually weakened in the second and third quarters due to the impact of OPEC+'s production cut and maintenance at Asian refineries. In the fourth quarter, buoyed by the traditional peak season, freight rates rebounded and maintained at relatively high levels. Thanks to active chartering demand in the Atlantic region, the freight rates of Suezmax and Aframax oil tankers performed strongly, showing a mutually supportive effect with VLCC freight rates. According to the Baltic Exchange, the average TCE of the typical crude oil routes of VLCC Middle East to China (TD3C), Suezmax West Africa to Europe (TD20), and Aframax Kuwait to Singapore (TD8) for the whole year came in at USD35,416 per day, USD39,714 per day, and USD44,163 per day, up 110%, 39%, and 71% respectively compared with 2022.

In terms of product oil tankers, shifts in oil trade flows also led to increased transport distances, with a significant rise in Asia-Europe product oil shipping volumes. In 2023, tonne-mile demand for product oil tankers increased 9.6% year-on-year. With global gasoline, diesel, and naphtha consumption all hitting new highs, the operating rate of the world's major refineries remained at high levels. Product oil exports from major countries in Asia like China and India continued to grow, leading to a steady increase in product oil tanker demand, with freight rates continuing to remain in a relatively high range across all routes throughout the year.

In terms of tonnage supply, tanker capacity supply saw slow growth in 2023, with 141 oil tankers delivered during the year, representing a 45% decrease compared with 2022 (2022: 255 vessels). Strong demand fundamentals delayed the phasing out of obsolete capacity, with only 15 oil tankers scrapped in 2023. As to orders for new oil tankers, although the significantly aging global tanker fleet and the entry into force of IMO environmental protection policy provided momentum for replacing tankers worldwide, given the high prices of new shipbuilding, the tight capacity of shipyards and the uncertainty of fuel technology adoption, shipowners were still wary of investing heavily in large tankers. In 2023, a total of 390 new oil tanker orders were signed globally, only 18 of which were VLCCs.

2. Domestic oil shipping market

*(1) Domestic crude oil shipping market:*

In 2023, the overall performance of the domestic crude oil transportation market remained stable with improvement. Raw material demand brought about by steady processing at domestic refineries continued to have a positive impact on the offshore transportation sector. Specifically, 1) domestic offshore oil fields maintained high production levels, with further upgrades in exploration and exploitation technologies continuously increasing offshore oil production. In 2023, domestic offshore oil production increased by 5.8% year-on-year, supporting demand for offshore oil transportation; 2) China's total crude oil imports reached 563.99 million tons in 2023, representing a year-on-year increase of 11.0%, which helped consolidate the domestic transportation demand for transshipment oil to some extent; 3) pipeline oil transportation remained stable.

*(2) Domestic product oil shipping market:*

In 2023, the domestic product oil transportation market remained relatively stable, with a noticeable 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 was controlled at a low level. Thus, overall transportation demand was limited.

3. LNG shipping market

In 2023, global LNG trade continued to grow, with trade volume reaching approximately 413 million tons, representing a year-on-year increase of about 2.8%. The United States became the world's largest LNG exporter for the first time, with exports reaching an all-time high of 88.8 million tons, representing a year-on-year increase of 8%. China reclaimed its title as the world's largest LNG importer, with imports reaching 71.32 million tons, up 12% year-on-year.

As at the end of 2023, global existing LNG capacity was approximately 474 million tons/year, with around 203 million tons/year of LNG capacity under construction. In 2023, 4 LNG projects reached final investment decision (FID) status, with a total capacity of 41 million tons/year, showing a significant year-on-year increase. In 2023, a total of 47 LNG purchase and sale agreements were signed globally, with trade volume totaling 60 million tons/year and the number of contracts signed rising 2% year-on-year. China became the world's top LNG buyer in 2023, signing a total of 10 purchase and sale agreements with a trade volume of 14.7 million tons/year. The United States signed 16 supply agreements and became the world's largest exporter with a supply volume of 21.2 million tons/year.

As at the end of 2023, the global LNG fleet totaled 779 vessels (including LNG carriers, LNG bunkering tankers, floating storage regasification units ("**FSRUs**"), floating storage units ("**FSUs**") and floating liquefied natural gas ("**FLNG**") units), with 637 large- and medium-sized LNG carriers, representing a year-on-year increase of 4.7%. The average age of global LNG carriers is currently 11.1 years, with 75 vessels over 20 years old and 337 vessels under 10 years old, accounting for 52.9% of the total, indicating a relatively young fleet.

## III. REVIEW OF OPERATING RESULTS

As of 31 December 2023, the Group held and controlled 156 oil tankers with 23.06 million DWT, representing a year-on-year decrease of 3 vessels with 0.28 million DWT. 43 LNG vessels with 7.2 million cubic meters have been put into operation among the jointly-invested LNG vessels.

In 2023, the Group realized a transportation volume (excluding time charters) of 172.59 million tons with a year-on-year decrease of 1.0%; transportation turnover (excluding time charters) of 530.49 billion tonne-miles with a year-on-year decrease of 1.2%; revenues from principal operations of RMB21.91 billion with a year-on-year increase of 18.0%; cost of principal operations of RMB15.42 billion with a year-on-year increase of 1.7%, and gross profit margin increased by 11.2 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB3.35 billion with a year-on-year increase of 129.2%, and earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of RMB9.35 billion with a year-on-year increase of 42.6%.

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

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

1. Revenue from principal operations

In 2023, overall details of the Group's principal operations in terms of cargoes and geographical regions were as follows:

*(1) Principal operations by products transported*

| Industry or Cargo | Revenue | Operating costs | Gross profit margin | Increase/ (decrease) in revenue as compared with 2022 | Increase/ (decrease) in operating costs as compared with 2022 | Increase/ (decrease) in gross profit margin as compared with 2022 |
|---|---|---|---|---|---|---|
| | (RMB'000) | (RMB'000) | (%) | (%) | (%) | (percentage points) |
| Domestic crude oil | 3,378,830 | 2,383,557 | 29.5 | 6.1 | 1.7 | 3.1 |
| Domestic refined oil | 2,648,711 | 2,183,918 | 17.5 | 1.8 | 1.2 | 0.4 |
| Domestic vessel chartering | 140,199 | 111,721 | 20.3 | 29.3 | 12.1 | 12.2 |
| **Domestic Oil Shipping Sub-Total** | 6,167,740 | 4,679,196 | 24.1 | 4.7 | 1.7 | 2.2 |
| International crude oil | 9,343,875 | 6,929,001 | 25.8 | 19.5 | (4.0) | 18.2 |
| International refined oil | 2,408,994 | 1,572,221 | 34.7 | 12.3 | 0.9 | 7.4 |
| International vessel chartering | 2,170,966 | 1,275,199 | 41.3 | 55.7 | 14.2 | 21.4 |
| **International Oil Shipping Sub-Total** | 13,923,835 | 9,776,420 | 29.8 | 22.6 | (1.2) | 16.9 |
| **Oil Shipping Sub-Total** | 20,091,575 | 14,455,616 | 28.1 | 16.5 | (0.3) | 12.1 |
| **International LNG Shipping** | 1,820,881 | 961,750 | 47.2 | 38.1 | 45.1 | (2.5) |
| **Total** | 21,912,456 | 15,417,366 | 29.6 | 18.0 | 1.7 | 11.2 |

*(2) Principal Operations by Geographical Regions*

| Regions | Revenue | Operating costs | Gross profit margin | Increase/ (decrease) in revenue as compared with 2022 | Increase/ (decrease) in operating costs as compared with 2022 | Increase/ (decrease) in gross profit margin as compared with 2022 |
|---|---|---|---|---|---|---|
| | (RMB'000) | (RMB'000) | (%) | (%) | (%) | (percentage points) |
| Domestic shipping | 6,167,740 | 4,679,196 | 24.1 | 4.7 | 1.7 | 2.2 |
| International shipping | 15,744,716 | 10,738,170 | 31.8 | 24.2 | 1.7 | 15.1 |
| **Total** | 21,912,456 | 15,417,366 | 29.6 | 18.0 | 1.7 | 11.2 |

2. Shipping business – Oil and Gas Shipping

*(1) International oil shipment business:*

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

Operational highlights are as follows:

(a) Actively communicated with global clients to diversify client resources. During the Reporting Period, the Group closely interacted with major global oil companies and traders, creating multiple cooperation opportunities while consolidating collaborative relationships. The VLCC fleet developed relationships with 6 new domestic and international clients, further expanding the Group's co-operation with leading oil companies on a larger scale and consolidating its global presence in transportation service sector.

(b) Vigorously expanded high-quality routes to seize cargo sources in high-yield markets. The VLCC fleet significantly increased its capacity deployment in the Atlantic market, effectively diversified shipping layout and mitigated volatility risks in the spot market. In the meantime, the VLCC fleet developed high-yield routes in the US West Coast, Brazil and other regions. The small- and medium-sized fleet deepened collaborations with international oil giants such as Exxon Mobil, BP, Shell etc., thus strengthening route deployment in the high-yield market in Oceania. The Group also developed new routes from Australia to Japan, Singapore to New Zealand, and the Middle East to Mauritius, consistently enriching the cargo source structure and improving fleet profitability.

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

*(2) Domestic oil shipping business:*

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

Operational highlights are as follows:

(a) Maintained a leading market share in the transportation industry during the Reporting Period, with COA cargo sources accounting for over 95%, thus ensuring stable profitability while reinforcing cooperation with core clients.

(b) Worked closely with industry partners through active vessel exchanges to ensure timely fulfillment of client's capacity demands, thereby enhancing overall vessel operational efficiency.

(c) Innovated business models by promoting a new cooperation model of chartering domestic product oil transportation, thus effectively improving profitability on short routes.

*(3) LNG shipping business:*

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

Operational highlights are as follows:

(a) Seized the opportunities emerging from the long-term LNG transportation market and steadily advanced transportation project development. During the Reporting Period, CSLNG, a wholly-owned subsidiary of the Group, completed the equity acquisition of six LNG transportation vessels of CNOOC Gas and Power, three LNG transportation vessels of Sinopec Venture, and reached agreements on the building of two new LNG transportation vessels for PetroChina International. As of the end of the Reporting Period, the Group had invested in 83 LNG carriers, representing an increase of 21 vessels year-on-year.

(b) During the Reporting Period, Hong Kong LNG Ship Management Company, a wholly-owned subsidiary of the Group, successfully acquired two LNG carriers of 174,000 cubic meters for the PetroChina International LNG Project, continuously enhancing its independent ship management capability. CSLNG, a wholly-owned subsidiary of the Group, organized the first ordering class for LNG crew in collaboration with maritime academies, crew companies, and LNG ship management companies as the Group accelerated the cultivation of a high-quality LNG crew and continuously enhanced the comprehensive competitiveness of LNG operations.

## IV. COSTS AND EXPENSES ANALYSIS

In 2023, the Group's cost from principal operations was approximately RMB15.42 billion, representing a year-on-year increase of 1.71%.

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

| | 2023 (RMB'000) | 2022 (RMB'000) | Increase/ (decrease) (%) | Composition of 2023 (%) |
|---|---|---|---|---|
| **Oil shipping operating costs** | | | | |
| **Items** | | | | |
| Fuel costs | **5,033,660** | 5,573,264 | (9.7) | 34.8 |
| Port costs | **857,112** | 953,958 | (10.2) | 5.9 |
| Sea crew costs | **2,344,181** | 2,522,550 | (7.1) | 16.2 |
| Lubricants expenses | **320,874** | 317,236 | 1.1 | 2.2 |
| Depreciation | **2,651,269** | 2,432,783 | 9.0 | 18.3 |
| Insurance expenses | **188,330** | 170,379 | 10.5 | 1.3 |
| Repair expenses | **512,104** | 379,227 | 35.0 | 3.5 |
| Charter costs | **1,894,639** | 1,605,450 | 18.0 | 13.1 |
| Others | **653,447** | 540,334 | 20.9 | 4.5 |
| **Sub-total** | **14,455,616** | 14,495,182 | (0.3) | 100.0 |
| **LNG shipping operating costs** | | | | |
| **Items** | | | | |
| Sea crew costs | **180,515** | 167,568 | 7.7 | 18.8 |
| Lubricants expenses | **18,984** | 7,910 | 140.0 | 2.0 |
| Depreciation | **438,261** | 311,709 | 40.6 | 45.6 |
| Insurance expenses | **26,869** | 17,891 | 50.2 | 2.8 |
| Repair expenses | **170,992** | 118,113 | 44.8 | 17.8 |
| Others | **126,129** | 39,623 | 218.3 | 13.1 |
| **Sub-total** | **961,750** | 662,814 | 45.1 | 100.0 |
| **Total** | **15,417,366** | 15,157,996 | 1.7 | 100.0 |

## V. 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% | 51.26 | 1,243,310 | 1,177,330 |

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% | 18.89 | 2,185,020 | 644,144 |

## VI. 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 RMB8,662,352,000, representing an increase of approximately 110% as compared to approximately RMB4,129,839,000 for the year ended 31 December 2022.

### 2. Capital Commitments

| | Note | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|---|
| Authorised and contracted but not provided for: | | | |
| Construction and purchases of vessels | (i) | **13,735,816** | 6,972,156 |
| Equity investments | (ii) | **–** | 311,479 |
| | | **13,735,816** | 7,283,635 |

Note:

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

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

## 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 and lease liabilities less cash and bank.

The Group's net debt-to-equity ratio as at 31 December 2023 and 31 December 2022 is as follows:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated) |
|---|---|---|
| **Total debts** | **29,720,403** | 30,215,794 |
| Less: cash and bank | **(5,627,218)** | (4,239,339) |
| Net debt | **24,093,185** | 25,976,455 |
| Total equity | **37,103,323** | 33,570,761 |
| Net debt-to-equity ratio | **65%** | 77% |

As at 31 December 2023, the balance of cash and bank amounted to RMB5,627,218,000, representing an increase of RMB1,387,879,000 and by 33% as compared to the end of last year. The Group's cash and bank are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

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

## 4. Trade and Bills Receivables and Contract Assets

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Trade and bills receivables from third parties | **585,971** | 543,923 |
| Trade receivables from fellow subsidiaries | **–** | 5,068 |
| Trade receivables from related companies (Note) | **4,000** | 2,173 |
| | **589,971** | 551,164 |
| Less: allowance for doubtful debts | **(7,370)** | (6,123) |
| | **582,601** | 545,041 |
| Current contract assets relating to oil shipment contracts | **1,562,196** | 1,636,674 |
| Less: allowance | **(11,030)** | (4,500) |
| Total contract assets | **1,551,166** | 1,632,174 |

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 2023, trade and bills receivables and contract assets of RMB1,817,264,000 (31 December 2022: RMB947,977,000) 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 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Within 1 year | **573,567** | 537,136 |
| 1–2 years | **8,909** | 7,897 |
| Over 2 years | **125** | 8 |
| | **582,601** | 545,041 |

5. **Trade and Bills Payables**

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Trade and bills payables to third parties | **887,735** | 891,755 |
| Trade payables to fellow subsidiaries | **795,895** | 1,016,493 |
| Trade payables to an associate | **5,692** | 8,825 |
| Trade payables to related companies (Note) | **18,554** | 22,248 |
| | **1,707,876** | 1,939,321 |

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

Trade payables are unsecured and are usually paid within 30 days of recognition.

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 2023, trade and bills payables of RMB831,437,000 (31 December 2022: RMB843,056,000) 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 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Within 1 year | **1,583,641** | 1,774,144 |
| 1–2 years | **66,373** | 147,707 |
| Over 2 years | **57,862** | 17,470 |
| | **1,707,876** | 1,939,321 |

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 2023, the Group had interest rate swap agreements with total principal amount of approximately USD703,736,000 (equivalent to RMB4,984,351,000) (31 December 2022: approximately USD734,232,000 (equivalent to RMB5,113,632,000)) which will mature in 2031, 2032, 2033, 2034 and 2035 (31 December 2022: 2031, 2032, 2033, 2034 and 2035). 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 2023, the floating interest rates of the bank borrowings were SOFR plus 1.66% and SOFR plus 2.45% (31 December 2022: 3-month LIBOR plus 2.20% and 3-month LIBOR plus 1.40%).

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Group has the following derivative financial instruments:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Interest rate swaps – cash flow hedges | **92,083** | 116,525 |
| Total non-current derivative financial instrument assets | **92,083** | 116,525 |
| **Non-current liabilities** | | |
| Interest rate swaps – cash flow hedges | **9,426** | – |
| Total non-current derivative financial instrument liabilities | **9,426** | – |

7. Interest-Bearing Bank and Other Borrowings

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

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

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

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

8. Contingent Liabilities and Guarantee

(1) Four associates of East China LNG Shipping Investment Co., Limited ("**ELNG**") and North China LNG Shipping Investment Co., Limited ("**NLNG**"), two non-wholly-owned subsidiaries of the Company, entered into a ship building contract for one LNG vessel each. After the completion of their LNG vessels, the four associates would lease the vessels to the lessors in accordance with the signed leasing contracts. In July 2011, the Company provided guarantees to the four associates for their obligations under the leasing contracts, with the guarantee amount not exceeding USD8,200,000 (equivalent to approximately RMB58,078,000). The guarantee period is limited to the lease period.

(2) From 2014 to 2021, the joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, signed several ship building contracts and leasing contracts with certain third parties. According to those contracts, the Company would provide guarantees to the joint ventures for their obligations under those contracts based on the subsidiary's percentage of shareholdings in the joint ventures. As at 31 December 2023, the aggregate amount of the guarantees provided to the shipbuilders and lessees was USD290,653,000 (equivalent to approximately RMB2,058,608,000) and USD11,393,000 (equivalent to approximately RMB80,693,000) respectively, and the guarantee periods are limited to the lease periods.

(3) In June 2017, the Company provided financial guarantees to three joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company to the extent of the contract amount of USD377,500,000 (equivalent to approximately RMB2,673,719,000) in respect of the bank borrowings provided by two banks. The guarantee period is limited to 12 years after the vessel construction project of each of the joint ventures is completed. As at 31 December 2023, the balance of the guarantees was USD282,738,048 (equivalent to approximately RMB2,002,549,000).

9. **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 2023, 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 RMB52,347,000 higher/lower (31 December 2022: RMB6,953,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and bank, receivables, payables and borrowings.

10. **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 2023 and 31 December 2022.

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 2023, 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 profit before tax for the year would have been RMB149,280,000 lower/higher (31 December 2022: RMB156,395,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

## VII. OTHERS

### 1. Fleet expansion projects

In terms of fleet expansion, 2 new LNG carriers with a total capacity of 348,000 cubic meters were delivered for use in 2023. In the meanwhile, 5 oil tankers with a total capacity of 917,000 DWT were disposed in 2023.

As at 31 December 2023, 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 | 148 | 2,083 | 11.9 | 8 | 53.6 |
| Long-term charter-in | 8 | 223 | 8.9 | – | – |
| Joint ventures and associates | 16 | 99 | 10.2 | 1 | 15 |
| **Total** | **172** | **2,405** | **11.6** | **9** | **68.6** |

| | Vessels in operation | | | Vessels under construction | |
|---|---|---|---|---|---|
| **LNG Carrier fleet** | Number | '0000 cubic meters | Average age | Number | '0000 cubic meters |
| Holding subsidiaries of the Group | 10 | 174 | 4.2 | 9 | 157 |
| Joint ventures and associates | 33 | 546 | 6.9 | 31 | 539 |
| **Total** | **43** | **720** | **6.3** | **40** | **696** |

### 2. 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.

### 3. Significant Investments

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.

## VIII. OUTLOOK AND HIGHLIGHTS FOR 2024

### 1. Landscape and trends in the industry

*(1) International oil shipping market*

Although the trend of global macroeconomic and geopolitical events will continue to affect the global oil trade, which in turn will bring considerable uncertainties to the market, we predict that the international oil shipping market remains promising outlook in 2024, supported by strong supply and demand fundamentals.

In terms of transportation demand, global oil demand is set to keep growing, albeit at a moderate pace. The IEA forecasts a year-on-year increase of 1.24 million barrels per day in global oil demand by 2024, with China and India being the main drivers. The increase in oil supply will be contributed by the United States, Brazil, and Guyana to fill the production gap left by OPEC+. Therefore, in terms of the development of the oil supply and demand structure, long-distance routes between the Atlantic and Asia are expected to increase, boosting the tonne-mile demand for VLCCs. For small- and medium-sized oil tankers, geopolitical events and conflicts have contributed European oil imports to continuing the adoption of longer trade routes, which will prominently support transportation demand. Meanwhile, some oil tanker owners choose to circumvent the Cape of Good Hope amidst recent tensions in the Red Sea and the Gulf of Aden to avoid passing through the said regions. Given this situation, oil tanker tonne-mile demand will likely keep rising, with a more significant impact on small- and medium-sized oil tankers, especially product oil tankers. Clarksons projected that crude oil tonne-mile demand and product oil tonne-mile demand will grow by 4.1% and 7.3%, respectively year-on-year in 2024.

In terms of tonnage supply, the global tanker fleet is increasingly aging. As the new International Maritime Organization (IMO) environmental protection policy and the EU Emissions Trading System (EU ETS) came into force, the potential and likelihood of scrapping obsolete shipping capacity will continue to rise. Regarding new ship deliveries, as of the end of February 2024, there is only one VLCC to be delivered globally, and the global tanker fleet is expected to see extremely low growth throughout the year. Besides, the high cost of new ship building and the tight capacity of shipyards continue, and the uncertainty of future oil tanker fuel technology adoption also inhibits shipowners from significantly expanding capacity while remaining profitable, indicating that the supply side will continue to provide strong support for a booming international oil tanker market.

*(2) Domestic oil shipping market*

Domestic crude oil transportation market:

In terms of offshore oil, against the backdrop of production increase at domestic offshore oil fields, we are optimistic about offshore oil transportation demand, which is expected to grow year by year. In 2024, transportation demand will likely rise as the "Wushi" oil field in the South China Sea put into production.

In terms of transshipment, this segment is subject to substantial fluctuations in transportation demand due to factors such as the international trade landscape and market changes. The main charterers may dynamically adjust the pace of raw material procurement in response to oil price volatility, leading to corresponding fluctuations in transportation demand.

Domestic product oil transportation market:

In 2024, driven by the gradual recovery of the domestic economy and diminishing marginal benefits of new energy development, the domestic product oil transportation market is expected to remain stable overall throughout the year and will likely rebound.

*(3) LNG shipping market*

In 2024, global LNG trade is expected to maintain rapid growth, with LNG demand and supply remaining balanced. Drewry predicted that global LNG trade volume will grow by 5.3% year-on-year and the compound annual growth rate for 2023-2028 will reach 9.1%.

In terms of transportation demand, global LNG capacity will grow by 3.5% year-on-year in 2024, with strong trade growth and the FID of more upstream new projects boosting LNG transportation demand. In terms of transportation capacity supply, in 2024, the global LNG shipping fleet will add 71 vessels, representing a year-on-year increase of 11%, bringing the global fleet to 700 vessels. Additionally, factors such as tight shipyard capacity and project delays will postpone some vessel deliveries. With a significant increase in LNG capacity, the fleet may face a supply shortage in the next two years. In the medium term, LNG capacity demand will likely keep increasing as the compound annual growth rate of the global LNG fleet will reach 9.5% during 2023-2028, lower than the 10.7% growth rate of global LNG capacity.

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 foundation and core business of the Company, the oil tanker transportation business will consolidate its leading edge and strive to become a leader in the global oil tanker transportation industry. As the second largest core business with relatively concentrated resource allocation, the LNG transportation business will continue to play the role of an efficiency stabilizer and strive to become a leading global LNG carrier. The new energy transportation business will strive to become an innovative engine for the Company's high-quality development. 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 layout of the digital intelligence and green and low-carbon track in an effort to build a brand image as a "leader in sustainable development".

3. **Plans in 2024**

In 2024, the Group expects to have 2 chemical tankers delivered with a total capacity of 14,000 DWT and dispose 4 oil tankers with a total capacity of 729,000 DWT, in the meanwhile to have 6 LNG vessels delivered, totaling 1,041 thousands cubic meters (including joint ventures, associates and long-term chartered-in vessels). It is expected that there will be 154 oil tankers in operation during the year, totaling 23.35 million DWT, and 49 LNG vessels, totaling 8.24 million cubic meters (including joint ventures and associates in vessels). The consideration of the above vessels will be funded by internal financial resources of the Group and bank borrowings.

According to the conditions of the domestic and international shipping market in 2024, combined with the Group's fleet expansion, the main operating targets of the Group in 2024 are as follows: generating an expected operating income of RMB22.3 billion and incurring operating costs of RMB15.8 billion.

4. Work initiatives in 2024

In 2024, facing the uncertainties associated with the global macroeconomic and geopolitical situations, the Group will firmly adhere to the corporate vision of to be an outstanding leader and the strategic goal of "four global leading", focus on steady profit growth and continuous efficiency optimization, and solidify the foundation for high-quality development to scale new heights for the Group's corporate value. Specifically, we will carry forward the following high-priority tasks:

*(1) Focus on operational efficiency to achieve sustainable profitability in the oil transportation segment*

The Group will continue to advance globalized operations, strengthen overseas network construction, improve global marketing networks, and enhance global resource allocation capabilities. Meanwhile, the Group will provide reliable global logistics solutions to meet customer needs, and continually optimize route deployment and market allocation and enhance overall fleet revenue by leveraging advantages such as flexible operating models, extensive vessel layouts, and a wide range of vessel types.

In terms of the international oil shipping business, the Group will systematically study and assess market trends, reasonably arrange route deployment, optimize route structure, consistently strengthen capacity allocation in the Atlantic market and specific high-quality routes, and consolidate the high-quality New Zealand and Australia routes for product oil fleets. The Group will also rationalize the pace of chartering, strengthen solicitation of backhaul cargo and triangular routes, closely monitor fluctuations in domestic and international oil transportation markets, and dynamically evaluate capacity linkage schemes in domestic and foreign trade to enhance overall fleet revenue.

In terms of the domestic oil shipping business, the Group will vigorously promote the signing of COA contracts, consolidate basic cargo sources in the domestic oil transportation market, explore cooperation opportunities with potential clients to optimize customer resources and route structure, and increase offshore oil transportation volume and the market shares of high-quality routes to improve overall fleet revenue.

(2) *Build LNG full-chain capabilities to extend the LNG industry value chain*

The Group will closely monitor the development of leading upstream energy providers, identify the needs of potential clients, and continuously explore long-term time charters LNG transportation projects. The Group will continuously strengthen the construction of LNG ship management capacity, enhance overall management capability for LNG transportation projects, explore diversified LNG transportation operating models, focus on opportunities to participate in LNG spot transportation projects, and closely monitor upstream and downstream investment opportunities in LNG transportation to explore the space for cooperation in industry chain projects.

(3) *Insist on lean management to strengthen cost control*

The Group will focus on controlling fuel procurement prices and consumption to reduce fuel costs. The Group will deepen the standardization and normalization of machinery management, promote spare parts procurement management throughout the entire lifecycle of the vessel, and optimize vessel repair solutions in order to further reduce machinery costs. The Group will also keep monitoring exchange rate and interest rate fluctuations and adjust financing structures in time to lower overall financing costs.

(4) *Explore a low-carbon development path for green intelligent transformation*

The Group will adhere to the concept of aligning with global energy development trends and meeting client chartering needs, maintain a leading edge in terms of fleet size, and promote the healthy and sustainable development of the fleet. The Group will closely monitor changes in ship asset prices, comprehensively consider factors such as ship prices, shipping layout, and its own development needs, and steadily advance the disposal of obsolete capacity and acquisition of new capacity to further optimize the structure of tanker fleet. The Group will follow international policies and standards on green and low-carbon development, conduct research and development on new energy-powered vessels, and actively apply green and low-carbon smart technologies to facilitate the Company in achieving long-term carbon emission reduction goals. The Group will also focus on the development of new businesses and new cargoes, step up cooperation with upstream and downstream partners along the industry chain, and strategically extend its business presence into new energy transportation.

*(5) Strengthen technological innovation to accelerate digitalization and intelligentization*

The Group will implement the "14th Five-Year Plan" for science and technology and digital transformation, steadily advance digital and intelligence transformation, adhere to business-driven strategies, and research and create digital service products tailored to the market and customers. The Group will enhance exchanges and benchmarking with industry peers and optimize digital transformation work plans and implementation plans to solidify the foundation of digital transformation. The Group will also actively explore the application of intelligent ship technologies, further strengthen the application of big data, artificial intelligence, and other technologies on ships, and enhance intelligent assessments of fleet energy efficiency and emissions.

*(6) Create highest-standard safety to keep high-quality growth on routes*

The Group will continue to improve its integrated management system, safety production accountability management rules, and other policies, adhere to the adoption of incentive and constraint mechanisms, and fully implement safety production responsibilities. The Group will enhance the integrated safety production supervision system and emergency management procedures, promote the construction of a global emergency resource network, and enhance overall security assurance capabilities. The Group will also continue to focus on operational risk management and control, develop compliance risk management and control rules, dynamically monitor and alert key risks in major business areas, and incorporate risk prevention and control into business processes.

*(7) Focus on talent cultivation to build synergy for quality growth drivers*

The Group will focus on the echelon construction of a high-quality talent team, open up talent exchange across different departments and professional fields company-wide, and optimize corporate talent reserves. The Group will scientifically establish an objective, transparent, and credible comprehensive performance assessment mechanism, and link performance with remuneration, assessment, and evaluation to enhance employee motivation and creativity, thus promoting the sustainable development of the Company.

The Company has placed much emphasis on corporate governance and accountability. Good corporate governance can improve the Company's scientific decision-making and risk prevention abilities, ensure normal and effective operations, and promote the sustained development of the Company. The Board believes that shareholders of the Company (the "**Shareholders**") can derive the greatest benefits from good corporate governance.

## I. IMPROVEMENT OF CORPORATE GOVERNANCE

During the Reporting Period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the articles of association of the Company (the "**Articles**"), related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and having regard to the actual conditions of the Company, the Company constantly formulates, improves and implements various operational systems and related procedures for each of the Board and its special committees.

During the Reporting Period, checks and balances were achieved through the coordination among the Shareholders' meeting, the Board and its related special Board committees, the supervisory committee of the Company (the "**Supervisory Committee**") and management headed by the chief executive officer. Together with the effective internal control and management systems, the Company's internal management and operations were further standardised and the corporate governance of the Company was further enhanced.

## II. CORPORATE CULTURE

The Company believes that a healthy corporate culture is the core of good governance and an important component of the soul and sustainability of an enterprise.

Our corporate vision is "*to be an outstanding leader in global energy transportation"*, and to build a world leading energy transportation enterprise with excellent products, outstanding brand, leading innovation and modern governance.

Linking the world and energy by shipping is the essence and meaning of energy transportation, and it is also our mission. Upholding the corporate values of "Credibility, Safety, Efficiency, and Transformation", during the Reporting Period, by providing safe, reliable and high-quality energy transportation and logistics services, the Company and the Board committed to guaranteeing the safety of energy transportation, serving value growth for the clients, practicing corporate social responsibility and supporting development and growth of employees, and delivering constant flow of energy for the world, the country, the society, clients and employees, so as to ensure a more stable, efficient and resilient energy supply chain, thereby continue to strengthen the Company's cultural framework.

## III. SITUATION OF INTERNAL CONTROL AND RISK MANAGEMENT

### 1. Development

The Company has been committed to the perfection and improvement of its internal control and risk management system, complemented with special activities such as corporate governance to thoroughly strengthen the establishment of its internal management system. The Board is responsible for the establishment, improvement and effective implementation of internal control and risk management; the Supervisory Committee supervises the establishment and implementation of an internal control and risk management system by the Board; the management is responsible for organising and taking the lead in the daily operation of internal control of the Company; the risk control committee of the Company (the "**Risk Control Committee**") is responsible for guiding the evaluation of the effectiveness of internal control and risk management by internal bodies of the Company.

In 2023, the Company took the optimization of its organizational structure as an opportunity and insisted on integration of internal control with risk management and compliance management, made comprehensive revision and upgrade on the Company's Risk and Internal Control Manual (《公司風險與內部控制手冊》). The Company continued to build an integrated compliance and risk control system at home and abroad on this basis. The Company released the Export Control Compliance Manual (《出口管制合規手冊》) and the Outbound Data Transfer Compliance Manual (《數據出境合規手冊》), and overseas companies in the UK, U.S., Singapore and Hong Kong issued their own compliance manuals. The Company is committed to promoting digital empowerment for compliance and risk control, guided by the principle of "integrating risk management into business and digitalization", and it has identified 14 key risk control indicators, established full-process control, automatic early warning and tracking evaluation for the company's key operational and management activities via data accumulation through the system and data modeling development, exploring the transformation of risk management from "people-oriented prevention and control" to "technology-oriented prevention and control."

### 2. Management Structure

The Company has established a "three lines of defence model", together with various operation activities, forms an internal control and risk management operation system in accordance with the COSO (Committee of Sponsoring Organization) Framework and the Guidelines on Comprehensive Risk Management of State-owned Enterprises (《中央企業全面風險管理指引》) based on environmental monitoring, risk assessment and countermeasures, supervision and improvement, as well as information communication and management.

The first line of defence comprises all departments and all units, which are responsible for participating in the construction of the risk control system, implementing systems related to risk management and business control, as well as responding to and reporting risk events; the second line of defence comprises the Company's risk management department, which is responsible for organizing, establishing and maintaining the risk control system, preparing risk control management reports regularly and reporting to the management, as well as participating in the control of high-risk businesses and giving advice from a risk perspective; and the third line of defence comprises the Company's audit department, which is responsible for the construction and evaluation of the risk control system, as well as supervising risk management and internal control.

The Company's management makes decisions on significant risk matters; considers and approves the Company's management rules and regulations; considers the Company's annual self-evaluation report on internal control and risk management report, and provides guidance on annual risk management work according to the Rules of Procedures for General Manager's Meeting (《總經理辦公會議事規則》).

The Risk Control Committee was established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities include reviewing the Company's financial control, internal control and risk management systems; discussing with the management on the internal control system to ensure the management has performed its duties in establishing an effective internal control system; evaluating the appropriateness of the design of the listed company's internal control systems; reviewing the self-evaluation report on internal control. In 2023, three meetings were held by the Risk Control Committee to listen to the special reports on the construction of the internal control and risk management system, as well as operation monitoring, and to provide guidance on internal control and risk management efforts.

The audit committee of the Company (the "**Audit Committee**") was established under the Board and is a specialized body for evaluating the effectiveness of internal control. Its major responsibilities include reviewing the internal control audit report issued by external audit firms, and discussing with external audit firms on problems found and improvements; evaluating internal control evaluation and audit results, thereby supervising the rectification of defects on internal control.

3. Work Results of 2023

(1) *Continuous improvement of compliance and risk control system*

In 2023, the Company focused on the following areas in compliance management:

Firstly, we promoted to build an integrated compliance and risk control system at home and abroad. Originated from the global development strategy, the Company focused on compliance risk control of overseas business. Currently, compliance manuals have been issued by four overseas companies in the UK, U.S., Singapore and Hong Kong, and further strengthened the foundation of overseas compliance. Secondly, we emphasized the construction of compliance systems in key areas. The Company continued to strengthen tracking and assessment of external compliance situations, organized special risk assessments, issued special compliance manuals, organized comprehensive training for all employees, and effectively prevented emerging compliance risks under the background of increasing international export control and overseas data compliance risks.

(2) *Refine and improve internal control and management requirements, and continue to improve the Company's system*

Firstly, we strengthened the construction of internal control system mechanisms. The Company upgraded the internal control system in conjunction with organizational structure optimization, integrated compliance requirements and risk prevention measures into internal control processes. The revision and upgrade of the Company's Risk and Internal Control Manual (《公司風險與內部控制手冊》) were completed, achieving the integration of compliance, internal control and risk management. Secondly, we organized the work on the "establishment, amendment, abolition and interpretation" of rules and regulations. The Company focused on concluding and evaluating the establishment and implementation of regulations in key areas such as procurement management, investment management, chartering management, and fund management. A total of 55 rules and regulations were formulated and revised. Thirdly, we promoted the promotion of the rules and regulations. The Company focused on organizing and implementing training activities to publicize 43 rules and regulations of the Company, and made use of the Zhixue Yun training platform and WeChat questions and answers to innovate the means of publicizing the rules and regulations, which achieved good results.

(3) *Carry out in-depth annual internal control evaluation and supervision work to enhance management standards*

Firstly, we initiated a new round of three-year full coverage on supervision and evaluation of internal control. The Company thoroughly studied and formulated a plan for full coverage on supervision and evaluation for 2023-2025. According to the plan, we commenced the internal control supervision and evaluation work for each of its enterprises one by one, realizing the work objective of promoting construction through evaluation. Secondly, the self-evaluation of internal control was carried out in an orderly manner. The Company organized all units of the Group to carry out comprehensive self-evaluation and implemented the requirements of supervisory evaluation, identified internal control deficiencies and monitored the review of internal control evaluation, so as to realize the evaluation of all the internal controls and effectively prevent various operation and management risks. As at 31 December 2023, based on the determination of significant deficiencies in the Company's internal control, as at the base date of the internal control evaluation report, no significant deficiencies or important deficiencies in the Company's internal control have been identified; no material untruths, inaccuracies or incompletenesses have been identified in the Company's accounting statements and notes; and no material losses in assets have been identified as a result of the failure of internal control. Thirdly, we organized special internal control evaluation. In 2023, the Company focused on the problems and risks of the Company's major investments and fund management, identified management gaps and explored solutions, and organized the completion of two special internal control evaluations and rules and regulations reviews on major investments and fund management to standardize and improve the Company's management.

(4) *Risk prevention and control in key areas of the Company*

The Company firmly forestalled major risks, strictly implemented and continuously optimized four risk control mechanisms, namely risk warning and inspection mechanism, business due diligence mechanism, key operation monitoring mechanism, and specific risk assessment mechanism. In 2023, the Company cumulatively tracked 489 overseas legal developments, issued 27 risk reminders and conducted 23 special risk inspections.

(5) *Advance the digitalization of internal control and risk management to enhance informatization control capability*

Guided by the principle of "integrating risk management into business and digitalization", the Company launched a digital risk control project in early 2023, which was also included in the overall digital transformation implementation plan of the Company. By integrating key control points into business processes through digitalization, the Company further enhanced the standards of internal control and risk management in key business areas. Additionally, it has identified 14 key risk control indicators, established full-process control, automatic early warning and tracking evaluation for the company's key operational and management activities via data accumulation through the system and data modeling development. Currently, a system testing on the digitalization of risk control was completed and officially launched, further promoting the transformation of the Company's internal control and risk management from "people-oriented prevention and control" to "technology-oriented prevention and control."

## IV. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, the Company is independent of its direct controlling Shareholder, China Shipping Group Company Limited, and its indirect controlling Shareholder, China COSCO SHIPPING Corporation Limited, in respect of its business, personnel, asset, organizational structure and finance. The Company has independent and comprehensive business operations and management capabilities.

## V. THE ESTABLISHMENT AND IMPLEMENTATION OF THE STAFF SALARY SYSTEM, PERFORMANCE APPRAISAL AND INCENTIVE MECHANISM

In accordance with the 2023 Annual Operating Performance Responsibility Statement (《2023年度經營業績責任書》), the Company conducted an evaluation of the 2023 operating performance of the senior management staff of the managerial level to comprehensively assess the performance of the senior management staff of the managerial level and their work performance in 2023. In accordance with the relevant provisions of the Regulations on the Management of Tenure System and Contractual Remuneration for Members of the Management Team of COSCO Shipping & Energy Transportation Company Limited (Revised) (中遠海運能源運輸股份有限公司經理層成員任期制和契約化薪酬管理辦法(修訂)), the results of the management performance appraisal were closely linked to the remuneration packages of the senior management staff of the management team, so as to reasonably widen the income disparity and realize the concept of "rising remuneration for rising performance and falling remuneration for falling performance", stimulate the vitality of the senior management staff of the management team and promote the achievement of the Company's business objectives and key tasks. This would stimulate the vitality of senior managers and facilitate the achievement of the Company's business objectives and key tasks.

In 2018, the Company launched the A share option incentive scheme (the "**Incentive Scheme**"). Pursuant to the authorization granted by Shareholders, the Board approved the grant of 35,460,000 Share options to 133 participants (including senior management) on 27 December 2018. On 27 November 2023, the Board considered that the effective performance conditions at the Company level for the third period of the 2018 Stock Option Incentive Scheme of the Company have not been fulfilled, and approved the cancellation of 9,264,660 stock options corresponding to the third exercise period, together with the cancellation of 907,660 stock options granted but unexercised to the incentive recipients upon the expiry of the second exercise period, making a total of 10,172,320 stock options cancelled under the above two items. Upon the cancellation of the share options, all share options granted under the 2018 Share Option Incentive Scheme have been fully exercised or cancelled.

During the Reporting Period, the Company did not grant any new share options or awards under the Incentive Scheme.

At the Board meeting held on 26 October 2023, the Board agreed that the Company implement the 2023 Share Option Incentive Scheme and agreed to submit this proposal to the Company's Shareholders' meeting and separate class meetings for consideration. The 2023 Share Option Incentive Scheme will further improve the long-term incentive mechanism by more closely integrating the remuneration income of the middle and senior management and the core backbone employees with the Company's performance, forming a benefit-sharing and risk-sharing mechanism among the Shareholders, the Company and the employees, and fully mobilizing the motivation of the middle and senior management and the core backbone employees of the Company. The total number of subject shares involved in the total number of share options granted to the participants under the 2023 Share Option Incentive Scheme is 28,081,900 shares, representing approximately 0.589% of the total share capital of the Company of 4,770,776,395 shares as of 26 October 2023.

The Company evaluates the remuneration of employees according to operating revenue, profitability and safety management situation, continuously optimizing the salary distribution system which combines occupational salary and performance wage. The segments of remuneration include occupational salary, monthly performance wage, various allowances and overtime pay. Among them, occupational salary reflects the duties and monthly performance wage reflects the labor contribution. In 2022, as approved by the Board of Directors, the Company completed amendments to and issued the Administrative Measures for the Total Remuneration of the Company (《中遠海運能源運輸股份有限公司工資總額管理辦法》). The Company views annual comprehensive assessment and evaluation results and economic performance as key factors for remuneration distribution, thus forms a positive correlation between remuneration and operating performance. Pursuant to the Administrative Measures for Employee Performance Assessment of the Company (《中遠海運能源運輸股份有限公司員工績效考核管理辦法》), the Company implements quarterly performance assessment, annual performance assessment with full coverage of all employees. The bonus is related to the performance assessment, which creates reasonable personal wage gap among employees and departments. The annual assessment highlights personal performance and influences the remuneration distribution and reputation rewards. It combines multi-dimensional assessment and carries out the term assessment. The assessment results further categorized and classified as basically competent, competent and excellent, so as to give full play to the incentivising and binding effect of the distribution system.

## VI. CORPORATE GOVERNANCE REPORT

### 1. Compliance with Corporate Governance Code

The Board is committed to the principles of corporate governance for a transparent, responsible and value-driven management that is focused on enhancing Shareholders' value.

In the opinion of the Directors, the Company has complied with the Code Provisions set out in the Corporate Governance Code (the "**Code**") in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Reporting Period.

2. General Meetings

General meetings provide a good opportunity for direct communications and build a sound relationship between the Board and the Shareholders. To ensure that all Shareholders enjoy equal status and are able to exercise their rights effectively, the Company holds Shareholders' meetings every year in strict compliance with the requirements for notices and convening procedures laid down by the relevant laws, regulations and the Articles. In 2023, the Company held 1 general meeting. The table on page 46 of this annual report shows the attendance of the Directors at the general meetings. At the annual general meeting for 2022, 9 resolutions were passed, including the 2022 annual report, the 2022 audited financial statements, the proposed distribution of the 2022 final dividend, the report of the Board for 2022.

According to the Articles, Shareholders individually or jointly holding more than 10% of the shares with voting rights at the extraordinary general meeting or class general meeting to be convened may sign one or more written requests with the same format and contents to propose to the Board to the convening of an extraordinary general meeting or class general meeting, and specify the topics thereof.

The Board is grateful to Shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company (the "**Company Secretary**") at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.

The registered Shareholders are entitled to putting forward a proposal at a general meeting if shareholder(s) individually or jointly holding more than 3% of the equity of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of the proposal and announce the contents thereof.

3. The Board

*(1) The responsibility of the Board*

The Board is elected in the Shareholders' meeting and is responsible to the shareholders' meeting.

The Board carries out actions in relation to corporate governance in a conscientious and responsible manner. During the Reporting Period, the Board also performed the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Company elects its Directors in strict compliance with the procedures for election of Directors as set out in the Articles. Each Director shall act in the interests of the Shareholders, and shall use his best endeavours to perform his duties and obligations as a Director in accordance with all the applicable laws and regulations. Duties of the Board include decision-making of the Company's investment scheme and business plan, preparation of the Company's profit distribution and loss recovery proposals, formulation of the Company's capital operation proposal and implementation of resolutions approved at general meetings.

The Board is responsible for leading and controlling the Company as well as supervising the operations, strategic policy and performance of the Group. The Board also delegates its power and responsibilities to the management of the Group. In addition, the Board delegates responsibilities to professional committees under the Board. Details of those committees are set out in this report.

*(2) Composition of the Board*

According to the Articles, all Directors (including independent non-executive Directors) are elected by the general meeting of Shareholders with a term of three years. Directors may be re-elected upon the expiration of their terms. The terms of the independent non-executive Directors shall be the same with the other Directors, i.e. for three years but not exceeding six years.

The Directors during the Reporting Period were:

**Executive Directors:**
Mr. Ren Yongqiang (任永強)
Mr. Zhu Maijin (朱邁進)

**Non-executive Directors:**
Mr. Wang Wei (王威)
Ms. Wang Songwen (王松文)

**Independent non-executive Directors:**
Mr. Victor Huang (黃偉德)
Mr. Li Runsheng (李潤生)
Mr. Zhao Jinsong (趙勁松)
Mr. Wang Zuwen (王祖溫)

Members of the Board, including the Chairman and the chief executive officer (the "**CEO**") of the Company, do not have any financial, business, family or other major/related relationship with one another. Such a balanced structure ensures the solid independence of the entire Board. Its composition has complied with the requirement under the Listing Rules that at least one third of the members of the Board shall be independent non-executive Directors. The biographies of all Directors are set out on pages 228 to 230 of this annual report and contain details on the diversified skills, expertise, experience and qualifications of all Directors.

The Board adopted the board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. Ms. Wang Songwen was appointed as a non-executive director of the Company on 15 December 2022. As at the end of the Reporting Period, the Board of Directors consisted of one female director among the eight directors of the Board. The Board aims to maintain at least the current level of female representation in the Board. For more details of the diverse background, age, experience and qualifications of the Board members, please refer to the profiles of directors, supervisors and the management on pages 228 to 232 of this annual report. The Board and the Nomination Committee consider that the composition of the Board and the background of its members are in compliance with the requirements of the Listing Rules in relation to diversity of directors and objectives of the Company's regarding board diversity (including gender diversity). The nomination committee of the Company (the "**Nomination Committee**") monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Board will also review annually the implementation and effectiveness of the Board Diversity Policy.

Measurable objectives

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Company should have a majority of non-executive directors (including independent non-executive directors) on the Board, so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board current consists of one female Director. The number of female directors on the Board will not fall below this level.

Apart from the above objectives, the composition of the Board has complied with the following objectives with the Listing Rules:

(i) Rules 3.10A: at least one third of the members of the Board shall be independent non-executive Directors;

(ii) Rules 3.10(1): at least three of the members of the Board shall be independent non-executive Directors; and

(iii) Rules 3.10(2): at least one independent non-executive director shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved such measurable objectives for board diversity and complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

To maintain board diversity (including gender diversity) in the coming years, the Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

By the end of the Reporting Period, the management of the Company (excludes directors) consisted of 5 males and 1 female; the fair gender structure of the shore-based employees indicates a total of 563 (approximately 71.27%) male employees and 227 (approximately 28.73%) female employees. In light of the Company's business nature and operation needs, the Board considers that the management and employees of the Company are gender-diverse.

*(3) The responsibility of Directors*

The Board ensures that each newly appointed Director has proper understanding of the operations and businesses of the Group and is fully aware of his/her responsibilities under the relevant rules and regulations and the common law, the Listing Rules, applicable statutory requirements and other regulatory requirements and the business and governance policy of the Company. Directors should closely follow the changes in legislations and compliance, operations and markets as well as the strategic development of the Group and be continuously updated about the relevant knowledge so as to perform their duties. Independent non-executive Directors play an active role in Board meetings and can make contribution to the formulation of strategies and policies and make reliable judgement on strategy, policy, performance, accountability, resources, major appointment and code of conduct. They also serve as members of various Board committees to monitor the overall performance of the Group in achieving pre-determined corporate objectives and benchmarks and preparing reports on such performance.

### 4. Performance of Independent Non-executive Directors' Duties

The Company has adopted the rules and procedures on independent non-executive Directors' work. In 2023, the Company had four independent non-executive Directors exceeding one-third of the total number of Directors, in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The independent non-executive Directors are professionals with extensive experience in the fields of accounting, law and corporate management, respectively. Mr. Victor Huang, an independent non-executive Director, has appropriate accounting and financial experience as required under Rule 3.10 of the Listing Rules. For the biographical details of Mr. Victor Huang, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this annual report. The four independent non-executive Directors do not hold other positions in the Company. They perform their duties in accordance with the Articles and the relevant requirements under the applicable laws and regulations.

In 2023, the independent non-executive Directors earnestly and diligently performed their duties in accordance with the relevant laws and regulations and the Articles. The independent non-executive Directors actively attended Board meetings during the Reporting Period, and reviewed documents presented by the Company. They also provided professional and constructive advice on the Company's major decisions and worked with dedication to safeguard the legal interests of the Company and all its Shareholders as a whole. They expressed their views objectively and independently and played a part in the checks and balances of the decision-making process of the Board. The independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing. Such meetings were held prior to Board meetings. During the Reporting Period, the independent non-executive Directors did not object to the motions, resolutions and other matters discussed at the meetings of the Board.

The Company has received confirmation from each of the independent non-executive Directors about their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors are completely independent of the Company, its substantial Shareholders and its affiliates and comply fully with the requirements concerning the independent non-executive Directors under the Listing Rules.

5. **Mechanisms to Ensure Independent Views**

The Company ensures independent views and input are available to the Board via the below mechanisms:

(1) The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the portion of the independent non-executive Directors.

(2) A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive Directors to be independent.

(3) In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates.

(4) The chairman of the Board shall meet with independent non-executive Directors at least once annually.

(5) All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the company policy.

The Board reviews the implementation and effectiveness of the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive directors, and their contribution and access to external independent professional advice. The Board considers that the above mechanisms and implementation are effective to ensure independent views and inputs are available to the Board.

6. **Securities Transactions by Directors**

The Company has adopted a code of conduct regarding directors' and relevant employees' securities transactions in accordance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 of the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the Reporting Period.

## 7. Board Meetings

In the Reporting Period, the Board convened a total of 10 meetings and considered and passed 56 Board resolutions so as to review the financial and operating performance of the Group. The Chairman also held meetings with the independent non-executive Directors without the presence of other Directors. The following table shows the attendance of the Directors at the Board meetings and general meetings.

| | Rate of attendance for Board meeting | Rate of attendance for general meeting |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Ren Yongqiang (任永強) (Chairman) | 10/10 | 1/1 |
| Mr. Zhu Maijin (朱邁進) (Chief Executive Officer) | 10/10 | 1/1 |
| **Non-executive Directors:** | | |
| Mr. Wang Wei (王威) | 10/10 | 1/1 |
| Ms. Wang Songwen (王松文) | 10/10 | 1/1 |
| **Independent non-executive Directors:** | | |
| Mr. Victor Huang (黃偉德) | 10/10 | 1/1 |
| Mr. Li Runsheng (李潤生) | 10/10 | 1/1 |
| Mr. Zhao Jinsong (趙勁松) | 10/10 | 1/1 |
| Mr. Wang Zuwen (王祖溫) | 10/10 | 1/1 |

Minutes of all meetings are recorded by a designated officer of the Company, and all proposals and resolutions reviewed and approved in each meeting are filed in accordance with relevant laws, regulations and the Articles.

## 8. Chairman and CEO

The positions of the Chairman of the Board and the CEO are assumed by different individuals so as to maintain independence and balanced judgment views. The Board has appointed Mr. Ren Yongqiang as the Chairman. The Chairman is responsible for execution and leading the Board so that the Board can operate and perform its duties effectively and handle all important and appropriate issues in a timely manner. Mr. Zhu Maijin, being the CEO and an executive Director, is responsible for executing the business policy and decisions on management and operations of the Group.

## 9. The Professional Committees of the Board

In compliance with the Code Provisions set out in the Code in Appendix C1 of the Listing Rules, 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.

### *(1) Audit Committee*

The Audit Committee comprised 3 independent non-executive Directors as at 31 December 2023 with Mr. Victor Huang being the Chairman. The duties of the Audit Committee mainly include the review of the Company's financial reports, consideration of the appointment of independent domestic and international auditors, approval of audit-related services, supervision over the Company's internal financial reporting procedures and management policies. At least four meetings of the Audit Committee are convened annually to review the accounting policies, risk management and internal control system adopted by the Company and the relevant financial issues, so as to ensure the completeness, fairness and accuracy of the Company's financial statements and other relevant information.

In 2023, the Audit Committee held 6 meetings. Minutes of the meetings are recorded by a designated officer, and the proposals approved in each meeting are filed in accordance with relevant regulations.

The following table shows the attendance of members of the Audit Committee during the Reporting Period:

| **Members of the Audit Committee** | **Rate of attendance** |
|---|---|
| Mr. Victor Huang (黃偉德) (Chairman) | 6/6 |
| Mr. Zhao Jinsong (趙勁松) | 6/6 |
| Mr. Wang Zuwen (王祖溫) | 6/6 |

The following are the work reports prepared by the Audit Committee in respect of the performance of its responsibilities relating to the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code during the Reporting Period.

The Audit Committee considered 14 proposals including the proposal on the accounting treatment of income tax liabilities after adjusting for profit-sharing arrangements of overseas subsidiaries of the Company, the Audit Committee's 2022 performance report, 2022 annual report on operation and basic financial situation, 2022 audit report, the proposal on the Company's 2022 internal control system report, report on the Company's 2022 internal audit work summary and 2023 work plan, the proposal on the Company's 2022 connected transaction report, the proposal on appointment of auditing institutions for 2023, the proposal on the Company's first quarterly report in 2023, operation and financial situation in the first half of 2023, 2023 half-year review, the proposal on the Company's 2023 third quarterly report, proposal on audit plan of the Company's 2023 domestic and overseas financial report, and the proposal on the establishment of a 2024 pre-approval policy for "non-assurance services" for overseas audit institutions.

The Audit Committee holds at least two meetings with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2023, the Audit Committee held 2 meetings with the external auditors. The Audit Committee reviews the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee not only pays attention to changes in the accounting policies and practices but also complies with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

*(2) Remuneration and Appraisal Committee*

During the Reporting Period, the Remuneration and Appraisal Committee comprised 3 members, all being independent non-executive Directors with Mr. Li Runsheng being the Chairman. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the terms of reference referred to in the Code are as follows:

(a) to make recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management of the Company; and to make recommendations to the Board on the establishment of a formal and transparent procedure for formulating such remuneration policy; to review and approve the senior management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(b) to recommend to the Board regarding the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including those relating to loss or termination of office or appointment); and making recommendations to the Board on the remuneration of non-executive Directors. The Remuneration and Appraisal Committee should consider the factors such as remuneration paid by comparable companies, time required for the Directors and their duties, the employment conditions of other positions within the Group and the desirability of performance-based remunerations.

In 2023, the Remuneration and Appraisal Committee held 4 meetings, and all members attended the meetings. In the meetings, the Remuneration and Appraisal Committee considered 9 proposals including the proposal on the formulation of "Measures for the Administration of Employee Welfare Expenses of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司職工福利費管理辦法》), the proposal on the implementation of tenure and contractual management for new and adjusted members of the management, the proposal on the 2022 Pre-cash of Remuneration for the management, the proposal on the 2023 Company's remuneration program for directors, the proposal on the consideration of the amendments to the tenure and contractual system of the Company and the adjustments to the signing documents of the members of the management, the proposal on "2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司2023年股票期權激勵計劃(草案)》) and its summary, the proposal on "Administrative Measures for the 2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司2023年股票期權激勵計劃管理辦法(草案)》), the proposal on "Administrative Measures for the Implementation and Appraisal of the 2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司2023年股票期權激勵計劃實施考核管理辦法(草案)》), and the proposal on the failure to achieve the exercise conditions for the third period of the 2018 Stock Option Incentive Scheme of the Company and to cancel all stock options granted but not yet exercised.

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the Reporting Period:

| **Members of the Remuneration and Appraisal Committee** | **Rate of attendance** |
|---|---|
| Mr. Li Runsheng (李潤生) (Chairman) | 4/4 |
| Mr. Victor Huang (黃偉德) | 4/4 |
| Mr. Wang Zuwen (王祖溫) | 4/4 |

*(3) Strategy Committee*

The duties of the Strategy Committee mainly include review and evaluation of the Company's long-term development strategy, significant investment projects, financial budget and strategic plan of investment returns and submit its advice to the Board. As at the end of the Reporting Period, The Strategy Committee consisted of 6 Directors, including 2 executive Directors, 2 non-executive Directors and 2 independent non-executive Directors. Mr. Ren Yongqiang was the Chairman. Independent non-executive Directors, namely Mr. Li Runsheng and Mr. Zhao Jinsong with extensive professional knowledge and work experience in petrochemicals and maritime law proactively proposed and opined for the Company's healthy and long-term development by playing the role of think-tank and advisers.

In 2023, the Strategy Committee held two meetings and considered 3 proposals including 2022 Sustainability Report of the Company, 2023 Investment Plan and Disposal Plan of the Company, and the proposal on the Company's Biodiversity Conservation Plan (《生物多樣性保護計劃》) and Biodiversity Conservation Statement (《生物多樣性保護聲明》).

The following table shows the attendance of members of the Strategy Committee during the Reporting Period:

| Members of the Strategy Committee | Rate of attendance |
|---|---|
| **Executive Directors:** | |
| Mr. Ren Yongqiang (任永強) (Chairman) | 2/2 |
| Mr. Zhu Maijin (朱邁進) | 2/2 |
| **Non-executive Directors:** | |
| Mr. Wang Wei (王威) | 2/2 |
| Ms. Wang Songwen (王松文) | 2/2 |
| **Independent non-executive Directors:** | |
| Mr. Li Runsheng (李潤生) | 2/2 |
| Mr. Zhao Jinsong (趙勁松) | 2/2 |

The Strategy Committee and the Board formulates and reviews policies and routine matters related to the Company's sustainable development and ESG governance. It also monitors ESG material topics that may affect the Company's business, operations, and shareholders and other stakeholders' interests and assumes full responsibility for ESG strategies and reporting.

In 2023, given both internal and external changes and current development of the Company, the Strategy Committee and the Board re-evaluated material topics and their ranking, prioritized 1 material topics related to governance, economy, and environment, as well as society to address stakeholder concerns.

In addition, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Strategy Committee and the Board focus on the key factors affecting climate change in the shipping industry to identify climate change-related risks and opportunities and their potential financial impact in the short, medium and long run; and ultimately, to enhance our adaptability to uncertain climatic conditions.

For more details of our ESG performance, please refer to Sustainability Report 2023 of the Company.

*(4) Nomination Committee*

Pursuant to the Articles, election and replacement of Directors shall be proposed to the Shareholders' general meeting for approval. Shareholders whose shareholding represents 3% or more of the voting shares of the Company are entitled to make such proposal and request the Board to authorise the Chairman to consolidate a list of Director candidates nominated by the Shareholders who are entitled to make a proposal. As authorised by the Board, the Chairman shall consolidate a list of Director candidates and order the Secretariat of the Board together with the relevant departments to prepare the relevant procedural documents. Pursuant to the Articles, the Company is required to give notice of the Shareholders' meeting to Shareholders in writing 20 days (if it is an annual general meeting) and 15 days (if it is an extraordinary general meeting) in advance and dispatch a circular to the Shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the candidates for directorship must be set out in a circular to the Shareholders to facilitate voting by Shareholders. The new Directors must be approved by more than half of the total voting shares held by the Shareholders present in person or by proxy at the Shareholders' general meeting.

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings. When the Nomination Committee considers it appropriate, it invites nominations of candidates from Board members or any person and makes recommendations for the Board's consideration and approval.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including without limitation the following:

(a) reputation for integrity;
(b) experience in shipping industry and/or business strategy, management, legal and financial aspects;
(c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;
(d) the perspectives and skills that the proposed candidate is expected to bring to the Board;
(e) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
(f) commitment in respect of available time and relevant interest; and
(g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

During the Reporting Period, the Nomination Committee of the Company consisted of 3 Directors, all being independent non-executive Directors.

In 2023, the Nomination Committee convened 1 meeting and considered the proposal on the appointment of Mr. Yu Bozheng as the General Counsel of the Company.

The following table shows the attendance of members of the Nomination Committee during the Reporting Period:

| Members of the Nomination Committee | Rate of attendance |
|---|---|
| Mr. Wang Zuwen (王祖溫) (Chairman) | 1/1 |
| Mr. Victor Huang (黃偉德) | 1/1 |
| Mr. Li Runsheng (李潤生) | 1/1 |

*(5) Risk Control Committee*

In order to effectively to promote the rule of law of listed companies as required by supervisory agencies at home and abroad, and to give full play of the functions of special committees of the Board in the rule of law and risk control management, in 2019, the Company's Board approved the establishment of a risk control committee. The Risk Control Committee consists of three directors, two of whom are independent non-executive Directors, and the chairman of the committee is Mr. Zhao Jinsong.

In 2023, the Risk Control Committee held 3 meetings and considered 5 proposals including the proposal on the Report on the Company's Internal Control and Risk Management in 2022, the proposal on the Company's 2022 Compliance Management Report, the proposal on the Company's Safety Work Report in 2023, the proposal on the Company's 2023 Currency Derivatives Business Plan, and the Proposal on the Company's Risk and Internal Control Manual Version 3.0 (《風險與內部控制手冊3.0版》).

The following table shows the attendance of members of the Risk Control Committee during the Reporting Period:

| Members of the Risk Control Committee | Rate of attendance |
|---|---|
| Mr. Zhao Jinsong (趙勁松) (Chairman) | 3/3 |
| Mr. Ren Yongqiang (任永強) | 3/3 |
| Mr. Wang Zuwen (王祖溫) | 3/3 |

## 10. Accountability and Audit

### *(1) Financial Reporting*

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim financial information and annual consolidated financial statements that give a true and fair view of the Group's affairs and its consolidated financial performance and its consolidated cash flows in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("**Hong Kong Companies Ordinance**"). In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to Shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgements and estimates made by management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditors and management, and then submitted to the Audit Committee for review.

Management provides relevant explanations and information to the Board so that the Board can make informed assessments on the financial and other information submitted to it for approval.

The Board has confirmed its responsibility for preparing financial reports that can reflect the consolidated financial position of the Group in a true and fair way for each financial year. When submitting quarterly results, interim financial information and annual consolidated financial statements and announcement to Shareholders, Directors shall strive to submit a balanced and easily comprehensible assessment on the present conditions and prospects of the Group.

The Board is not aware of any material uncertainties on events or conditions which cast significant doubt on the sustained operating capability of the Group. Therefore, the Board will continue to adopt the sustained operating basis in preparation of the consolidated financial statements.

The Board has confirmed its responsibility for providing balanced, clear and easily comprehensible assessments in the Company's annual reports and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules and reporting to the regulatory bodies.

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2023. ShineWing Certified Public Accountants LLP ("**ShineWing**") and PricewaterhouseCoopers, the domestic and international auditors of the Company respectively, acknowledge reporting responsibilities in the auditor's reports on the consolidated financial statements for the year ended 31 December 2023.

(2) *Reappointment of Auditors*

By a resolution passed at the annual general meeting of the Company held on 29 June 2023, the Company has reappointed ShineWing as its domestic auditor, and PricewaterhouseCoopers as its international auditor, in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China and the Ministry of Finance of the People's Republic of China.

(3) *External Auditors and Their Remuneration*

The external auditors provide an objective assessment of the financial information presented by management, and is considered one of the essential elements to ensure effective corporate governance. The Company reappointed ShineWing as the 2023 domestic audit institution, and reappointed PricewaterhouseCoopers as the 2023 overseas audit institution. The review/audit scope was basically consistent with that of 2022. The annual general meeting for 2022 approved ShineWing's 2023 annual review/audit expenses of RMB3.1 million, and PricewaterhouseCoopers of RMB3.5 million. The total cost was RMB6.6 million (including tax and travel expenses).

In addition, the Group paid PricewaterhouseCoopers a non-audit fee of RMB1.75 million in 2023 and paid ShineWing a non-audit fee of RMB0.

The external auditors of the Company have not been changed in the past three years.

(4) *Internal Control and Risk Management*

The Board is responsible for maintaining an adequate system of internal control and risk management and reviewing its effectiveness. The internal control and risk management system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. Further, the internal control and risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss.

During the year, the Audit Committee, as delegated by the Board, has reviewed the adequacy and effectiveness of the Group's internal controls, risk management and internal audit function, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets.

The Company considers the risk management and internal control system effective and adequate during the Reporting Period.

(5) *Internal Audit*

The Group has continued to engage the Internal Audit Department to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. The internal audit department has unrestricted access to all parts of the business and direct access to any level of management including the chairman of the Company and the chairman of the Audit Committee as it considers necessary. It submits regular reports for the Audit Committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions.

(6) *Inside Information*

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules and has established the inside information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

## 11. Delegation by the Board

Management is authorized to carry out daily management of the Company. Department heads are responsible for various aspects of the operations. The major corporate matters delegated by the Board to management include the preparation of quarterly results, interim and annual reports and announcements (for approval by the Board before publication), the execution of business strategies and measures adopted by the Board, the implementation of the internal control system and risk management procedure and compliance with relevant statutory requirements, rules and regulations.

## 12. Directors' and Company Secretary's Continuing Professional Development Program

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

A summary of training received by the Directors since 1 January 2023 up to 31 December 2023 is as follows:

| Directors | Continuous Professional Development Programme |
|---|---|
| **Executive Directors:** | |
| Mr. Ren Yongqiang (任永強) (Chairman) | A, B |
| Mr. Zhu Maijin (朱邁進) (CEO) | A, B |
| **Non-executive Directors:** | |
| Mr. Wang Wei (王威) | A, B |
| Ms. Wang Songwen (王松文) | A, B |
| **Independent non-executive Directors:** | |
| Mr. Victor Huang (黃偉德) | A, B |
| Mr. Li Runsheng (李潤生) | A, B |
| Mr. Zhao Jinsong (趙勁松) | A, B |
| Mr. Wang Zuwen (王祖溫) | A, B |

Notes:

A: Literally learning the materials from the Company relating to latest regulatory information

B: Video training for Directors provided by State-owned Assets Supervision and Administration Commission of the State Council, Shanghai Stock Exchange and China Association for Public Companies

In 2023, the Company Secretary took no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

## 13. Directors' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against the Directors.

## 14. Supervisory Committee

At the end of the Reporting Period, the Supervisory Committee consisted of 4 members, of whom two Supervisors were elected from the staff as representatives of the employees of the Company. The Supervisors during the Reporting Period were:

| | |
|---|---|
| Mr. Weng Yi (翁羿) (Chairman) | |
| Mr. Yang Lei (楊磊) | |
| Mr. Xu Yifei (徐一飛) (Representative of the employees) | (Resigned on 1 September, 2023[1]) |
| Mr. Zeng Xiangfeng (曾向峰) (Representative of the employees) | (Resigned on 1 September, 2023[2]) |
| Ms. Chen Hua (陳華) (Representative of the employees) | (Appointed on 1 September, 2023[3]) |
| Mr. Wang Zhenming (王振明) (Representative of the employees) | (Appointed on 1 September, 2023[4]) |

Notes:

1. Mr. Xu Yifei (徐一飛) resigned from his position as an employee representative supervisor, due to changes in his job assignment, with effect from 1 September 2023.

2. Mr. Zeng Xiangfeng (曾向峰) resigned from his position as an employee representative supervisor, due to changes in his job assignment, with effect from 1 September 2023.

3. At an employee representative meeting of the Company held on 1 September 2023, Ms. Chen Hua (陳華) was recommended by the Labor union of the Company to act as an employee representative supervisor of the Company with immediate effect from 1 September 2023. Ms. Chen Hua, together with the two shareholder representative supervisors (Mr. Weng Yi and Mr. Yang Lei) elected at the 2020 annual general meeting of the Company, will form the 10th Supervisory Committee of the Company, and her tenure will be the same as the shareholder representative supervisors.

4. At an employee representative meeting of the Company held on 1 September 2023, Mr. Wang Zhenming (王振明) was recommended by the Labor union of the Company to act as an employee representative supervisor of the Company with immediate effect from 1 September 2023. Mr. Wang Zhenming, together with the two shareholder representative supervisors (Mr. Weng Yi and Mr. Yang Lei) elected at the 2020 annual general meeting of the Company, will form the 10th Supervisory Committee of the Company, and his tenure will be the same as the shareholder representative supervisors.

The Supervisory Committee is responsible for supervision over the Board and its members and senior management, so as to prevent them from abusing their authorities and violating the legal interests of the Shareholders, the Company and its staff. In 2023, the Supervisory Committee convened 8 meetings, at which the Company's financial position, connected transactions, legal compliance of cooperate operations and share option incentive scheme of the Company were reviewed. In 2023, the Supervisory Committee has complied with the principle of credibility to proactively perform their functions. For the details, please refer to the section headed "REPORT OF THE SUPERVISORY COMMITTEE" in this annual report.

## 15. Dividend Policy

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to share the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including the Company and the Group's actual and expected financial performance, general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and the Company's future expansion plan.

As at the date of this report, the Company was not aware that any Shareholder had waived or agreed to waive any dividends of the Company.

## 16. Investor Relations

The Company has actively and faithfully performed its duties regarding the disclosure of information and the work on investor relations. The Company has strictly abided by the principles of regulation, accuracy, completeness and timely disclosure of information, and proactively communicates with the capital market. The Company has established a designated department for investor relations, which is responsible for the specific matters concerning investor relations and has formulated the "Investor Relations Management System" for standardised operation. Through various approaches and channels such as organizing results briefing sessions, roadshow, telephone conference, a corporate website, investors' visits to the Company and answering the investors' enquiries in respect of the Company, the Company's management strengthened close communications and relationship with the investors and analysts, thereby enhancing investors' recognition of the Company. If shareholders and investment organisations need to communicate with the Company for conducting relevant exchanges, they may make enquiries through channels such as investor relations mailboxes and telephone calls to the Company, and the above contact information has been published in the Company's regular reports and website. Shareholders may direct enquiries about their shareholdings to the Company's Share Registrars. During the Reporting Period, having considered the above multiple channels of communication, the Company considers that it has strictly and effectively implemented such shareholders' communication policies according to the "Inventor Relations Management System".

In order to further improve the information disclosure management system, to enhance the quality of annual report disclosure and transparency of the Company, the Company has, in accordance with relevant state laws and regulations, regulatory documents and the Articles, formulated the "Annual Report Disclosure of Major Accountability System for China Shipping Development". Accordingly, if there are significant errors in information disclosure of annual report, the person concerned should be held accountable and make the appropriate treatment.

The Board hereby presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The Company's principal activities consist of investment holding, and/or oil shipment along the coast of the PRC and internationally, and/or vessel chartering.

The principal activities of the principal subsidiaries of the Company, associates and joint ventures of the Group are oil shipment, LNG shipment, vessel chartering and banking and related financial services.

## SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated as appropriate, is set out below.

| Results | 2023<br>RMB'000 | 2022<br>RMB'000<br>(Restated*) | 2021<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|---|---|
| | **For the year ended 31 December** | | | | |
| **Continuing operations** | | | | | |
| Revenue | **21,912,456** | 18,566,795 | 12,644,700 | 16,268,197 | 13,721,140 |
| Operating costs | **(15,157,996)** | (15,157,996) | (16,734,169) | (12,386,553) | (11,125,022) |
| Gross profit | **6,495,090** | 3,408,799 | (4,089,469) | 3,881,644 | 2,596,118 |
| Other income and net gains | **882,674** | 347,844 | 403,695 | 12,100 | 146,480 |
| Marketing expenses | **(76,996)** | (57,273) | (50,335) | (56,192) | (49,296) |
| Administrative expenses | **(975,955)** | (947,749) | (905,495) | (811,088) | (876,990) |
| Net impairment (losses)/gains on financial and contract assets | **(225,295)** | (4,402) | 33,777 | 5,508 | (3,208) |
| Other expenses | **(109,308)** | (43,125) | (61,824) | (25,925) | (106,381) |
| Share of profits of associates | **457,602** | 317,497 | 254,727 | 247,150 | 287,807 |
| Share of profits of joint ventures | **730,288** | 725,255 | 714,288 | 690,558 | 427,085 |
| Finance costs | **(1,453,793)** | (993,999) | (826,672) | (1,039,721) | (1,419,627) |
| **(Loss)/profit before tax** | **4,740,196** | 2,752,847 | (4,527,308) | 2,904,034 | 1,001,988 |
| Income tax expense | **(1,082,355)** | (964,755) | (139,800) | (272,590) | (330,384) |
| **(Loss)/profit for the year from continuing operations** | **3,657,841** | 1,788,592 | (4,667,108) | 2,631,444 | 671,604 |
| **Discontinued operation** | | | | | |
| Profit for the year from discontinued operation, net of tax | **–** | – | – | – | – |
| **(Loss)/profit for the year** | **3,657,841** | 1,788,092 | (4,667,108) | 2,631,444 | 671,604 |
| **(Loss)/profit for the year attributable to:** | | | | | |
| Owners of the Company | **3,348,717** | 1,460,862 | (4,985,386) | 2,381,415 | 413,857 |
| Non-controlling interests | **309,124** | 327,230 | 318,278 | 250,029 | 257,747 |
| | **3,657,841** | 1,788,092 | (4,667,108) | 2,631,444 | 671,604 |
| **Earnings per share** | **RMB cents** | RMB cents | RMB cents | RMB cents | RMB cents |
| Basic | **70.19** | 30.64 | (104.68) | 52.00 | 10.26 |
| Diluted | **70.19** | 30.60 | (104.68) | 51.96 | 10.26 |

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| **Assets, liabilities and non-controlling interests** | **RMB'000** | RMB'000 (Restated*) | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **72,083,612** | 68,250,453 | 59,388,937 | 65,959,857 | 65,841,861 |
| Total liabilities and non-controlling interests | **(37,692,108)** | (36,679,782) | (30,797,891) | (31,338,029) | (37,717,126) |
| Equity attributable to owners of the Company | **34,391,504** | 31,570,671 | 28,591,046 | 34,621,828 | 28,124,735 |

This summary does not form part of the audited consolidated financial statements.

Notes:

1. The consolidated results of the Group for the years ended 31 December 2019 are extracted from the Company's 2019 annual report, the consolidated results of the Group for the years ended 31 December 2020 are extracted from the Company's 2021 annual report, the consolidated results of the Group for the years ended 31 December 2021 are extracted from the Company's 2022 annual report, while those for the years ended 31 December 2023 and 2022 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on pages 111 to 112 of the consolidated financial statements.

2. The consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2019 were extracted from the Company's 2020 annual report, the consolidated total assets, total liabilities and non-controlling interests of the Group as at 31 December 2020 were extracted from the Company's 2021 annual report, and those as at 31 December 2021 were extracted from the Company's 2022 annual report, while those as at 31 December 2023 and 2022 were prepared based on the consolidated statement of financial position as set out on pages 113 to 115 of the consolidated financial statements.

3. The calculation of basic earnings per share for the year ended 31 December 2023 is based on the earnings attributable to owners of the Company for that year of RMB3,348,717,000 and weighted average number of 4,770,776,000 ordinary shares.

4. The calculation of basic earnings per share for the year ended 31 December 2022 is based on the loss attributable to owners of the Company for that year of RMB1,460,860,000 and weighted average number of 4,767,407,000 ordinary shares.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 111 to 115.

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 2023. 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 RMB35 cents per share in respect of the year ended 31 December 2023. 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.

## BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix D2 to the Listing Rules, the Company is required to include a business review in the Report of the Directors. According to Schedule 5 to the Hong Kong Companies Ordinance, a business review shall cover certain aspects, the details of which are as follows:

**A fair review of the Company's business**

Please refer to the section of "ANALYSIS OF THE ENERGY TRANSPORTATION MARKET DURING THE REPORTING PERIOD" and "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" on Pages 7 to 14 of this annual report.

**A description of the principal risks and uncertainties facing the Group**

(1) *The risk of macroeconomic fluctuations*

The shipping of energy products, such as oil and LNG, operated by the Group is more prone to macroeconomic fluctuations. When the macro-economy is booming, the demand for energy products will increase rapidly, which will lead to the increment of the shipping demand for these products. On the contrary, when the macro-economy is in recession, the shipping demand for the aforesaid products will be affected inevitably. In addition, geopolitical events, natural disasters and accidents may possibly cause fluctuations in the shipping industry.

(2) *The risk of international economy and politics*

The increasing uncertainties in the current global political and economic situation, such as geopolitical conflicts and trade frictions between major economies, will bring uncertainties to the global economy, and will also influence supply and demand, freight rates, safety of vessels and investment and financing of the global energy transportation.

(3) *Risk of change in energy structure*

The global energy transition triggered by the carbon peaking and carbon neutrality targets, the gradual increase in worldwide environmental requirements such as the reduction of carbon emissions, and the rise of new energy sources such as clean energy. All of these will have a profound impact on the changes in energy transportation demand and bring challenges to the Company's business planning and business layout.

(4) *The risk of competition from other modes of transportation*

Shipping boasts the advantages of large capacity and low price, serving as a major mode of transportation for commodities, particularly for cargoes such as petroleum, coal and iron ore. But other modes of transportation still pose some threat to shipping. For example, the establishment of crude oil pipelines and deep water terminals at coastal ports of the PRC will reduce the demand for transshipment of crude oil. Therefore, although China has secured cruel oil import growth in recent years, the volume of transshipments of crude oil, due to the above factors, failed to increase in proportion to the import volume of crude oil.

*(5) The risk of freight rate fluctuations*

Freight rate is one of the core factors that determine the Group's profitability level, whose fluctuations will cause uncertainties to the Group's benefits. By the adoption of measures, such as signing COAs with large petroleum enterprises to increase the proportion of domestic oil shipping or establishing joint ventures to offset the fluctuations of freight rates, the Group is able to avoid the risks brought by volatility in shipping market freight rates to a certain extent. However, freight rate fluctuations still exert a relatively huge impact on the Group's business activities.

*(6) The risk of fuel price fluctuations*

The costs of principal operations of the Group mainly include, among other things, fuel costs, port charges, depreciation charges and crew expenses, of which fuel costs account for the largest proportion. In recent years, with greater crude oil price fluctuations in the international market, prices of bunker oil rendered more volatility, together with increasing revision and enhancement in new domestic and international requirements of vessel discharge; those would pose greater impact on the fuel costs of the Group. Therefore, future fluctuations in fuel prices will have considerable influence on the costs of principal operations and profitability level of the Group.

In recent years, the Group has reduced fuel consumption through various methods, including promoting the extensive utilisation of vessel energy-saving technology and adopting economic shipping speed, and has reduced the fuel purchasing costs by enhancing fuel purchase and supply management, adopting diversified purchasing methods and responding timely to new conditions in the fuel market.

*(7) The risk of safety in shipping*

Ships may encounter various types of accidents, such as running aground, fire, collision, sinking, pirate, environmental incidents, in the course of shipping at sea, as well as the possibility of bad weather and natural disaster, these will cause losses to the vessels and the cargoes carried on board. The Group may face the risks of litigation and compensation as a consequence, the vessels and cargoes may also be seized as a result. Among these, the level of hazard caused by oil leakage leading to environmental pollution is particularly severe. Once an oil leakage has occurred causing pollution, the Group will face the risk of compensation in huge amount, which will have considerable impact on, among other things, the Group's reputation and normal operation. The Group has purchased insurance actively to control risk as far as possible.

Moreover, events such as changes in international relations, regional conflicts, wars and terrorist attacks may also have impact on the safety of shipping and normal operations of vessels. In recent years, pirate activities have been unusually frequent, pirate problems in the Somali seas have become a focus of global concern, and pirates pose a material danger to the safety of shipping.

(8) *The risk of operating activities compliance*

The global economic, trade and political landscape continues to be complex, with international organizations and major countries or regions constantly making adjustments to their policies on trade, transportation, investment, taxation, environmental protection and anti-monopoly, or increasing their enforcement efforts by means of compliance regulation. Failure to strengthen the research on the rules and regulations and implement effective countermeasures may result in significant compliance risks to the Company's international business and seriously affect the healthy and sustainable development of the Company.

(9) *The risk of safety in investment in new business areas*

The Company's 14th Five-Year Plan has made it clear that it would seize the opportunity of the rapid development of the new energy market, actively develop the new energy transportation business and strive to cultivate first-mover advantages. The Company is developing new energy transportation business, researching new businesses such as carbon trading and carbon capture, and incubating industrial chain projects. If the Company fails to adequately investigate the industry and market conditions of these new business areas, conduct sufficient due diligence and feasibility studies on the investment projects, and prepare resources in all aspects when entering new business areas, the investment may fail and cause economic losses to the Company.

(10) *The risk of digital transformation*

In the future journey of industrial and technological change, digital transformation is the inherent demand and inevitable choice for high-quality and sustainable development of the Company. Combined with the current rapid development of science and technology, seizing the constant of digital transformation and gradually pushing new technologies and concepts such as intelligent shipping, intelligent ships and intelligent management from theory to empirical evidence is a sure way for the Company to finally achieve self-breakthrough and self-improvement. Failure to implement business strategies into information and digital strategies, and business needs into information and digital outcomes and new business models may all lead to the failure of the company's digital transformation. In addition, with the development of data technology, data security and protection has become one of the global concerns and will face more risk challenges in the future.

**Particulars of important events affecting the Group that have occurred since the end of the Reporting Period**

None

**An indication of likely development in the Group's business**

Please refer to the section of "OUTLOOK AND HIGHLIGHTS FOR 2024" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 27 to 32 of this annual report.

**An analysis using financial key performance indicators**

*Revenue*

Please refer to the section of "REVIEW OF OPERATING RESULTS DURING THE REPORTING PERIOD" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 10 to 14 of this annual report.

*Costs and expenses*

Please refer to the section of "COSTS AND EXPENSES ANALYSIS" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 14 to 15 of this annual report.

*Other income and net gains*

Other income and net gains of the Group resulted from the continuing operations of the year was approximately RMB883 million (2022: RMB348 million).

*Share of profits of associates and joint ventures*

Please refer to the section of "OPERATING RESULTS OF THE JOINT VENTURES AND THE ASSOCIATES" under the "MANAGEMENT DISCUSSION AND ANALYSIS" on page 16 of this annual report.

*Income tax*

Income tax of the Group resulted from the continuing operations of the year in 2023 was RMB1,081 million (2022: RMB964 million).

**The Company's environmental policies and performance**

The shipping industry shoulders important responsibilities of global logistics. Nevertheless, the pollutant discharge during navigation still poses a threat to marine environment. As a large shipping company, the Group adheres to the concept of "being an excellent marine citizen", keeps strengthening the environmental management system, advances the development of larger-scale, large, young and low-carbon fleet, reduces its impacts on the environment with improvement in the management and technology upgrading and pursues green, circular, low-carbon and sustainable development. The Group takes targeted measures including practicing low-speed navigation, reducing pollutant discharges and saving water to increase the efficiency of resource usage as much as possible and to reduce the environmental impact of ships during navigation.

**Compliance with relevant laws and regulations with a significant impact on the Company**

The Group's main business is the shipping of crude oil, product oil and LNG. The business of the Company and its subsidiaries is subject to a number of laws and regulations – mainly the Civil Code of the People's Republic of China, the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Maritime Law of the People's Republic of China, the Port Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the International Shipping Regulations of the People's Republic of China, the Regulations on the Administration of Domestic Waterway Transport, the Regulations on the Administration of Domestic Waterway Transport and other applicable regulations, policies and regulatory legal documents promulgated under or in relation to such laws and regulations. The Group has compliance procedures in place to ensure compliance with applicable laws, regulations and regulatory legal documents. The Group will inform its relevant staff and the relevant operating team from time to time of any changes to the applicable laws, regulations and regulatory legal documents in relation to its competent business.

In addition, provisions under other relevant laws and regulations are also applicable to the Group (e.g. the Labour Law of the People's Republic of China, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), etc.). The Group has committed specific resources at all levels of the Group to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and supervision of different business units. Although these measures require significant internal resources and incur additional operating costs, the Group takes seriously the importance of ensuring compliance with applicable laws and regulations.

During the Reporting Period, the Group was in compliance with relevant laws and regulations that have a significant impact on the Group.

**Key relationships with employees, customers, suppliers and others**

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

## CHARITABLE DONATIONS

The Group made a donation of approximately RMB10 million during 2023 (2022: RMB4 million).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

According to the Articles, the existing Shareholders have pre-emptive rights to purchase shares in any new issue of shares of the Company in proportion to their shareholding.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and consolidated statement of changes in equity respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, as determined based on the lower of the amount determined under SAC and the amount determined under HKFRS, amounted to RMB8,138,052,000 before the proposed final dividend.

In addition, according to the Company Law of the PRC, an amount of approximately RMB12,134,750,000 standing to the credit of the Company's share premium account was available for distribution by way of future capitalization issues.

## BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Group are set out in note 32 to the consolidated financial statements.

## MAJOR CUSTOMERS

During the Reporting Period, the five largest customers of the Group combined accounted for 58.95% of the Group's total turnover. The largest customer is China National Petroleum Corporation ("中國石油天然氣集團有限公司") and the sales to it accounted for 22.45% (in the year of 2022: China National Petroleum Corporation ("中國石油天然氣集團有限公司") was the largest customer of the Group and represented a sales percentage of 24.98%) (note: customers who are under the control of the same controller have been treated as one customer). None of the Directors, Supervisors, their close associates, or any Shareholders, which, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interest in the five largest customers of the Group.

## MAJOR SUPPLIERS

During the Reporting Period, the five largest suppliers of materials and services to the Group combined accounted for 77.32% of the Group's total purchases. The largest supplier is COSCO SHIPPING, and the purchases from it accounted for 50.06% (in the year of 2022: COSCO SHIPPING was the largest supplier of the Group and representing a supply proportion of 52.41%) (note: suppliers who are under the control of the same supplier have been treated as one supplier). Except as mentioned above, none of the Directors, Supervisors, their close associates, or any Shareholders, who, to the best knowledge of the Directors and Supervisors, owns 5% or more of the Company's issued share capital, had any beneficial interests in the five largest suppliers of the Group.

## DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period were:

**Executive Directors:**
Mr. Ren Yongqiang (任永強)
Mr. Zhu Maijin (朱邁進)

**Non-executive Directors:**
Mr. Wang Wei (王威)
Ms. Wang Songwen (王松文)

**Independent non-executive Directors:**
Mr. Victor Huang (黃偉德)
Mr. Li Runsheng (李潤生)
Mr. Zhao Jinsong (趙勁松)
Mr. Wang Zuwen (王祖溫)

**Supervisors:**

| | |
|---|---|
| Mr. Weng Yi (翁羿) | |
| Mr. Yang Lei (楊磊) | |
| Mr. Xu Yifei (徐一飛) | (Resigned on 1 September 2023[1]) |
| Mr. Zeng Xiangfeng (曾向峰) | (Resigned on 1 September 2023[2]) |
| Ms. Chen Hua (陳華) | (Appointed on 1 September 2023[3]) |
| Mr. Wang Zhenming (王振明) | (Appointed on 1 September 2023[4]) |

Pursuant to the Articles, all the Directors are appointed for a term of three years.

The Company has received annual confirmations of independence from, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr.Wang Zuwen as at the date of this report and still considers them to be independent.

Notes:

1. Mr. Xu Yifei (徐一飛) resigned from his position as an employee representative supervisor, due to changes in his job assignment, with effect from 1 September 2023.

2. Mr. Zeng Xiangfeng (曾向峰) resigned from his position as an employee representative supervisor, due to changes in his job assignment, with effect from 1 September 2023.

3. At an employee representative meeting of the Company held on 1 September 2023, Ms. Chen Hua (陳華) was recommended by the Labor union of the Company to act as an employee representative supervisor of the Company with immediate effect from 1 September 2023. Ms. Chen Hua, together with the two shareholder representative supervisors (Mr. Weng Yi and Mr. Yang Lei) elected at the 2020 annual general meeting of the Company, will form the 10th Supervisory Committee of the Company, and her tenure will be the same as the shareholder representative supervisors.

4. At an employee representative meeting of the Company held on 1 September 2023, Mr. Wang Zhenming (王振明) was recommended by the Labor union of the Company to act as an employee representative supervisor of the Company with immediate effect from 1 September 2023. Mr. Wang Zhenming, together with the two shareholder representative supervisors (Mr. Weng Yi and Mr. Yang Lei) elected at the 2020 annual general meeting of the Company, will form the 10th Supervisory Committee of the Company, and his tenure will be the same as the shareholder representative supervisors.

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors and the senior management of the Group are set out on pages 228 to 232 of this annual report.

## SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company, which will expire on 29 June 2024 (or the date of the Company's annual general meeting in 2024, whichever is earlier) and is subject to termination by either party giving not less than three months' written notice.

No Director or Supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

## REMUNERATION BY BANDS

The emoluments paid or payable to the Directors, Supervisors and senior management during the Reporting Period fell within the following bands:

| Remuneration by bands | Number of Directors | Number of Supervisors | Number of Senior Management |
|---|---|---|---|
| RMBnil to RMB500,000 | 4 | – | – |
| RMB500,001 to RMB1,000,000 | – | – | 1 |
| RMB1,000,001 to RMB1,500,000 | – | 2 | – |
| RMB1,500,001 to RMB2,000,000 | – | 2 | 6 |
| RMB2,000,001 to RMB2,500,000 | 2 | – | – |
| RMB2,500,001 to RMB3,000,000 | – | – | – |
| RMB3,000,001 and above | – | – | – |

Certain members of senior management concurrently serve as executive Directors and Supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive Directors and Supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

## REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee is headed by Mr. Li Runsheng, an independent non-executive Director. The other two members of the Remuneration and Appraisal Committee are Mr. Zhao Jinsong and Mr. Wang Zuwen, both of whom being independent non-executive Directors. The Remuneration and Appraisal Committee has adopted terms of reference which are in line with the Code contained in Appendix C1 of the Listing Rules.

## MANAGEMENT CONTRACTS

Pursuant to the services agreement as described in note 43 to the consolidated financial statements, COSCO SHIPPING Group (excluding the Group) provided miscellaneous management and other services to the Group during the year for a total fee of RMB57,694,000 (2022: RMB64,104,000), for 3 years commencing from 1 January 2022 to 31 December 2024.

## PERMITTED INDEMNITY PROVISIONS

No permitted indemnity provision is in force for the benefit of one or more Directors or Supervisors or the directors or supervisors of an associated company of the Company.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the 31 December 2023, so far as was known to the Directors, supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") were as follows:

| Name of substantial shareholders | Class of shares[1] | Number of shares held[1] | Percentage of the total number shares of the relevant class[2] | Percentage of the total number of issued shares[2] |
|---|---|---|---|---|
| China Shipping Group Company Limited ("**China Shipping**")[3] | A | 1,536,924,595 (L) | 44.23% | 32.22% |
| COSCO SHIPPING[3] | A | 2,156,350,790 (L) | 62.06% | 45.20% |
| Citigroup Inc.[4] | H | 105,638,162 (L) | 8.15% | 2.21% |
| | | 3,444,350 (S) | 0.27% | 0.07% |
| | | 100,966,401 (P) | 7.79% | 2.12% |

Notes:

1. A – A share
   H – H share
   L – Long position
   S – Short position
   P – Shares available for lending

2. As at 31 December 2023, the total issued share capital of the Company was 4,770,776,395 shares, of which 1,296,000,000 were H shares and 3,474,776,395 were A shares.

3. China Shipping directly holds 1,536,924,595 A shares in its capacity as beneficial owner. COSCO SHIPPING directly holds 619,426,195 A shares in its capacity as beneficial owner, accounting for approximately 17.83% and 12.98% of the A shares and of the total issued share capital of the Company as at 31 December 2023, respectively. COSCO SHIPPING is the sole shareholder of China Shipping. Therefore, COSCO SHIPPING (itself and through its subsidiaries) is interested in 2,156,350,790 A shares in total.

4. As at 31 December 2023, according to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, Citigroup Inc. was interested in H shares through certain subsidiaries, of which 4,671,761 H shares (long position) and 3,444,350 H shares (short position) were held by it in its capacity as a body corporate interest controlled by it, 100,966,401 H shares (shares available for lending) were held in its capacity as an approved lending agent.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in this report of the Directors (including but not limited to the connected transactions and continuing connected transactions stated below), during the Reporting Period and as at 31 December 2023, none of the Directors or Supervisors, or an entity connected with a Director or a Supervisor, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 December 2023, 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 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 as set out in Appendix C3 to the 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[3] | Approximate percentage of the total number of issued shares[3] |
|---|---|---|---|---|---|
| Zhu Maijin | Beneficial owner | A | 102,980 (L) | 0.00296% | 0.00216% |
| 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. As at 31 December 2023, the total issued share capital of the Company was 4,770,776,395 shares, of which 1,296,000,000 were H shares and 3,474,776,395 were A shares.

(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(1) | Number of shares held(2) | Approximate percentage of the number of shares of the relevant class of the relevant associated corporation(3) | Approximate percentage of the total number of issued shares of the relevant associated corporation(3) |
|---|---|---|---|---|---|---|
| COSCO SHIPPING Holdings Co., Ltd. | Yang Lei | Beneficial owner | H | 111,400 (L) | 0.00336% | 0.00069% |
| | | 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. | Yang Lei | Beneficial owner | H | 213,000 (L) | 0.00579% | 0.00157% |
| COSCO SHIPPING Ports Limited | Yang Lei | Beneficial owner | Ordinary shares | 26,597 (L) | 0.00075% | 0.00075% |
| COSCO SHIPPING International (Hong Kong) Co., Ltd. | Yang Lei | Beneficial owner | Ordinary shares | 660,000 (L) | 0.04502% | 0.04502% |

Notes:

1. A – A shares
   H – H shares

2. L – Long position

3. As at 31 December 2023, the total issued share capital of COSCO SHIPPING Holdings Co., Ltd. was 16,071,057,752 shares, of which 3,313,313,000 were H shares and 12,757,744,752 were A shares.

   As at 31 December 2023, the total issued share capital of COSCO SHIPPING Development Co., Ltd. was 13,575,938,612 shares, of which 3,676,000,000 were H shares and 9,899,938,612 were A shares.

   As at 31 December 2023, the total issued share capital of COSCO SHIPPING Ports Limited was 3,563,579,085 ordinary shares; and the total issued share capital of COSCO SHIPPING International (Hong Kong) Co., Ltd. was 1,465,971,429 ordinary shares.

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 2023, 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.

As at 31 December 2023, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Director | Position held in COSCO SHIPPING and/or its subsidiaries |
|---|---|
| Wang Wei | A director of each of COSCO SHIPPING Specialized Carriers Co., Ltd. (stock code: 601428.SH), COSCO SHIPPING Bulk Co., Ltd. and COSCO SHIPPING (North America) Co., Ltd., and a supervisor of COSCO SHIPPING Logistics Co., Ltd. |
| Wang Songwen | A director of each of COSCO SHIPPING (Korea) Co., Ltd. and COSCO SHIPPING Investment Dalian Co., Ltd. |

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2023, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

## MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2023 are set out in note 40 to the consolidated financial statements.

## CONNECTED TRANSACTIONS

Details of those related party transactions which also constitute non-exempt connected transactions or continuing connected transactions of the Company are disclosed below, which are in compliance with Chapter 14A of the Listing Rules.

1. On 12 November 2021, the Company entered into the 2021 Financial Services Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING shall procure COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**"), a company controlled by COSCO SHIPPING, to provide the Group, with a range of financial services during a term of 3 years ending on 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Financial Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. The 2021 Financial Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Financial Services Framework Agreement, COSCO SHIPPING Finance will provide the Group with a range of financial services including (1) deposit services; (2) loan services; (3) settlement services; (4) foreign exchange services; and (5) other financial services as approved by China Banking and Insurance Regulatory Commission ("**CBIRC**"). In 2022, 2023, and 2024, the annual cap of deposit services under the 2021 Financial Services Framework Agreement was RMB9 billion, and the annual cap for loan services was RMB3 billion.

Under the 2021 Financial Services Framework Agreement:

(1) COSCO SHIPPING Finance may accept deposits from the Group at interest rates not lower, and thus no less favourable to the Group, than (a) the relevant rates stipulated by the People's Bank of China (the "**PBC**") for similar type of deposits; and (b) the market interest rates (which refers to interest rates for similar type of deposits offered by independent third party commercial banks in their ordinary course of business in the same or neighboring areas under normal commercial terms); in addition, in determining the interest rates COSCO SHIPPING Finance should also make reference to the interest rates offered by COSCO SHIPPING Finance to similar companies of the COSCO SHIPPING Group (excluding the Group);

(2) COSCO SHIPPING Finance may provide loans to the Group at interest rates not higher than (a) the upper limit of the relevant rates stipulated by the PBC for similar type of loans; and (b) the market interest rates (which refers to interest rates for similar type of loans offered by independent third party commercial banks in their ordinary course of business in the same or neighboring areas under normal commercial terms); in addition, the terms of the loans (a) shall be better than the terms offered to the Group by independent third parties for similar type of loans; and (b) the terms offered by COSCO SHIPPING Finance to independent third parties with same credit rating for similar type of loans;

(3) COSCO SHIPPING Finance will not charge the Group any fees for the provision of settlement services for the time being; and

(4) The fees charged by COSCO SHIPPING Finance for the provision of foreign exchange services and other financial services shall be (a) in accordance with the requirements stipulated by the PBC or CBIRC for similar type of services (if applicable); (b) not higher than the fees charged by independent third party commercial banks for similar type of services to the Group; and (c) the fees charged by COSCO SHIPPING Finance for similar type of services to an independent third party with the same credit rating.

2. On 12 November 2021, the Company entered into the 2021 Shipping Materials and Services Framework Agreement with COSCO SHIPPING whereby the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) certain supplies and services. The 2021 Shipping Materials and Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Shipping Materials and Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) the necessary supporting shipping materials and services for the ongoing operations of the transportation business including supply of marine lubricant, supply of shipping fuel, supply of shipping materials and relevant repair services as well as other services (the "**Shipping Materials and Services**") for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. Under the 2021 Shipping Materials and Services Framework Agreement, the annual cap for provision of Shipping Materials and Services by the Group in 2022, 2023 and 2024 amounts to RMB100 million, RMB100 million and RMB150 million, respectively, the annual cap for receipt of Shipping Materials and Services by the Group in 2022, 2023 and 2024 amounts to RMB6.8 billion, RMB6.8 billion and RMB8.4 billion, respectively.

   The fees for the Shipping Materials and Services will be determined by reference to the prevailing market price for similar type of shipping materials and/or services.

3. On 12 November 2021, the Company entered into the 2021 Sea Crew Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with the crew management, training, hiring and related services. The 2021 Sea Crew Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Sea Crew Framework Agreement, COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with crew management, training, hiring and related services for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. Under the 2021 Sea Crew Framework Agreement, the annual cap for receipt of the Crew Services by the Group in 2022, 2023 and 2024 amounts to RMB2.2 billion, RMB2.2 billion and RMB2.4 billion, respectively.

   The fees for the Crew Services will be determined by reference to the prevailing market price for similar type of crew services.

4. On 12 November 2021, the Company entered into the 2021 Services Framework Agreement with COSCO SHIPPING whereby COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with miscellaneous services. The 2021 Services Framework Agreement became effective subsequent to the approval by independent Shareholders at the extraordinary general meeting held on 28 December 2021. Pursuant to the 2021 Services Framework Agreement, COSCO SHIPPING (and/or the associates of COSCO SHIPPING) agreed to provide the Company with the necessary supporting miscellaneous services, including computer and software maintenance services, accommodation, transportation and conference services as well as other services (the "**Miscellaneous Services**") for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. In 2022, 2023 and 2024, the annual cap under the 2021 Services Framework Agreement for receipt of Miscellaneous Services by the Group amounts to RMB70 million each year.

   The fees for the Miscellaneous Services will be determined by reference to the prevailing market price for similar type of services.

5. On 12 November 2021, the Company entered into the 2021 Lease Framework Agreement with COSCO SHIPPING pursuant to which the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with property and land use right leasing services. Pursuant to the 2021 Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with property and land use right leasing services for 3 years commencing from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties. In 2022, 2023 and 2024, the annual cap under the 2021 Lease Framework Agreement for provision of the Leasing Services by the Group and for receipt of the Leasing Services by the Group amounts to RMB0.6 million and RMB10 million each year, respectively.

   The rent for the leasing services will be determined by reference to the prevailing market price.

6. On 12 November 2021, the Company entered into the 2021 Trademark License Agreement with COSCO SHIPPING whereby COSCO SHIPPING agreed to shall grant to the Company and its subsidiaries a non-exclusive license with rights to use certain trademarks at a rate of RMB1.00 per annum for 3 years commencing from 1 January 2022 to 31 December 2024.

As at 31 December 2023, COSCO SHIPPING holds approximately 45.20% of the issued share capital of the Company. COSCO SHIPPING is therefore the Company's controlling shareholders as defined under the Listing Rules. As such, COSCO SHIPPING is a connected person of the Company within the meaning of the Listing Rules.

COSCO SHIPPING Finance is a company controlled by COSCO SHIPPING and therefore a connected person of the Company. As such, the transactions pursuant to the 2021 Financial Services Framework Agreement constitute continuing connected transactions for the Company. The transactions pursuant to the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement, the 2021 Services Framework Agreement, the 2021 Lease Framework Agreement and 2021 Trademark License Agreement also constitute continuing connected transactions of the Company as such agreements were entered with COSCO SHIPPING.

The Group's treasury activities involve providing deposits and obtaining financial services to and from commercial banks from time to time to meet its business needs in the daily and normal course of business. The Board believes that by securing deposit and loan services from COSCO SHIPPING Finance for the three years ending 31 December 2024 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks.

The terms of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the shipping materials and services, crew services and miscellaneous services from the COSCO SHIPPING Group (excluding the Group), which is an experienced service provider in the shipping industry, and/or its associates will strengthen the competitiveness of the Group.

The reason for the bilateral arrangement in relation to the 2021 Lease Framework Agreement is mainly because of the geographical location of the leased properties. The Board considers that the 2021 Lease Framework Agreement can set up a framework and streamline the leasing procedures in respect of the leasing of properties between members of the Group and the COSCO SHIPPING Group (excluding the Group) and/or its associates.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2023 in relation to the non-exempt continuing connected transactions of the Group:

| **Transactions** | **Annual cap for the year ended 31 December 2023** (RMB'000) | **Actual transaction amount for the year ended 31 December 2023** (RMB'000) |
|---|---|---|
| **1. 2021 Financial Services Framework Agreement** | | |
| (a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance | 9,000,000 | 3,928,572 |
| (b) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance | 3,000,000 | 2,966,927 |
| **2. 2021 Shipping Materials and Services Framework Agreement** | | |
| (a) Proposed annual caps for provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates | 100,000 | 24,609 |
| (b) Proposed annual caps for receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates | 6,800,000 | 6,752,869 |
| **3. 2021 Sea Crew Framework Agreement** | | |
| (a) Proposed annual caps for receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates | 2,200,000 | 2,199,064 |
| **4. 2021 Services Framework Agreement** | | |
| (a) Proposed annual caps for receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates | 70,000 | 57,694 |
| **5. 2021 Lease Framework Agreement** | | |
| (a) Proposed annual caps for provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates | 600 | 529 |
| (b) Proposed annual caps for receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates | 10,000 | 3,835 |
| **6. 2021 Trademark License Agreement** | | |
| COSCO Shipping granted to the Company and its subsidiaries a non-exclusive license with rights to use certain trademarks | RMB1.00 | RMB1.00 |

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions set out in note 43 to the consolidated financial statements, and have confirmed that, during the Reporting Period, such transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Each of the independent non-executive Directors has further confirmed that, the values of all connected transactions and continuing connected transactions between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its international auditor to perform certain factual finding procedures in respect of the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board and confirmed that in respect of the disclosed continuing connected transactions:

(1) nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions set out in note 42 to the consolidated financial statements, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company and disclosed in the previous announcement dated 12 November 2021 made by the Company in respect of the disclosed continuing connected transactions.

On 29 December 2023, the Group entered into the following ship building contracts (collectively, the "**Shipbuilding Contracts**"):

(1) the Company, as the buyer, entered into a Shipbuilding Contract with COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.* ("**COSCO SHIPPING Heavy Industry (Dalian)**"), as the seller, for the construction of one MR oil tanker with a deadweight of 49,900 DWT, and the consideration for the tanker is RMB349 million.

(2) COSCO SHIPPING Energy Transportation (Hainan) Co., Ltd.* ("**COSCO SHIPPING Energy Transportation (Hainan)**"), a wholly-owned subsidiary of the Company, as the buyer, entered into three Shipbuilding Contracts with COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd.* ("**COSCO SHIPPING Heavy Industry (Yangzhou)**"), as the seller, for the construction of three Aframax Green Methanol Dual Fuel crude oil tankers with a deadweight of 114,200 DWT each, and the aggregate consideration for the three tankers is RMB1,737 million.

(3) COSCO SHIPPING Energy Transportation (Hainan), as the buyer, entered into two Shipbuilding Contracts with COSCO SHIPPING Heavy Industry (Dalian), as the seller, for the construction of two Panamax crude oil tankers with a deadweight of 64,900 DWT each, and the aggregate consideration for the two tankers is RMB832 million.

The total consideration for the above six tankers is RMB2,918 million.

The entering into of the Shipbuilding Contracts is in line with the "14th Five-Year Plan" strategy of the Group. The construction of tankers will allow the Group to optimize the structure of the tanker fleet and improve the stable profitability, thereby promoting the Group's global layout and the development of green and low-carbon shipping. The Board of Directors considers that the Shipbuilding Contracts and the transactions contemplated thereunder are fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, COSCO SHIPPING Heavy Industry (Yangzhou) and COSCO SHIPPING Heavy Industry (Dalian) are indirect wholly-owned subsidiaries of COSCO SHIPPING and therefore are connected persons of the Company. The Shipbuilding Contracts and the transactions contemplated thereunder constitute connected transactions of the Company.

Details of the above transaction are set out in the announcement of the Company dated 29 December 2023 and the circular dated 2 February 2024 respectively. At an extraordinary general meeting of the Company held on 26 February 2024, the resolutions in relation to the Shipping Contracts were duly passed by way of poll.

## EMPLOYEES

As at the end of 2023, the Company had 7,911 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employee remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the incentive scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2023, the total staff costs were approximately RMB3.599 billion (2022: approximately RMB3.678 billion).

## EMPLOYEE HOUSING

According to the relevant local laws and regulations in the PRC, both the Group and its employees in the PRC are required to contribute to an accommodation fund according to a certain percentage of the salaries and wages of the employees. There are no other significant contributory obligations beyond the contributions to the said fund.

## MEDICAL INSURANCE SCHEME

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

## PENSION AND ENTERPRISE ANNUITY SCHEMES

Details of the pension and enterprise annuity schemes of the Group are set out in note 39 to the consolidated financial statements.

No forfeited contributions were available as at 31 December 2023 to reduce future contributions.

## SHARE OPTION SCHEME

On 17 December 2018, 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 (the "**Grant Date**"), pursuant to the authorisation granted by shareholders, the Board approved the grant of 35,460,000 share options to 133 participants.

### 1. Purpose of the Incentive Scheme

The purpose of the Incentive Scheme is to:

(1) effectively bond the interests of Shareholders and the senior management of the Company, maximising shareholders' interest and increasing the value of state-owned assets;

(2) ensure the Company offers remuneration and incentive package which is competitive in the PRC labour market, attracting and incentivising key personnel of the Company to strive for the strategic goals of the Company; and

(3) align the remuneration of the senior management and key personnel of the Company with the overall performance of the Company through the Incentive Scheme, motivating such persons to attend to and jointly strive for the long-term strategic targets of the Company.

## 2. Participants of the Incentive Scheme

There are 133 participants of the Incentive Scheme, including Directors (excluding independent non-executive Directors), senior management and other management and core technical personnel of the Group who have direct impact on the operation results and development of the Company. Such participants do not include substantial Shareholders or controllers of the Company who individually or jointly hold 5% or more of the Shares, or their spouse, parents or children. Participants are not required to make any payment for the application or acceptance of the share option(s) under the Incentive Scheme.

The allocation of options granted to the participants of the Incentive Scheme is set out below:

| Names | Positions | Share Options granted ('000) | Approximate percentage of the total number of Share Options under this grant |
|---|---|---|---|
| Liu Hanbo (劉漢波) | Former General Manager | 475 | 1.34% |
| Lu Junshan (陸俊山) | Former Secretary of Party Committee | 475 | 1.34% |
| Yang Shicheng (楊世成) | Former Deputy General Manager | 427 | 1.20% |
| Qin Jiong (秦炯) | Deputy General Manager | 427 | 1.20% |
| Xiang Yongmin (項永民) | Former General Accountant | 427 | 1.20% |
| Luo Yuming (羅宇明) | Former Deputy General Manager | 427 | 1.20% |
| Tu Shiming (屠士明) | Former Secretary of Committee for Discipline Inspection | 427 | 1.20% |
| Zhao Jinwen (趙金文) | Former Deputy General Manager | 427 | 1.20% |
| Li Zhuoqiong (李倬瓊) | Former General Counsel, Secretary of the Board | 380 | 1.07% |
| Zhao Yuguang (趙宇光) | Former Assistant to General Manager | 380 | 1.07% |
| Other management and core technical personnel (123 persons) | | 31,188 | 87.95% |
| Total (133 Participants): | | 35,460 | 100% |

3. **Total number of shares available for issue under the Incentive Scheme**

The total number of shares subject to the options that may be granted to the participants under the Incentive Scheme shall not exceed 35,460,000 shares (being approximately 0.88% of the Company's total issued shares as at the date of this report).

4. **Maximum entitlement of each participant**

The number of options to be granted to each participant under the Incentive Scheme shall not exceed 1% of the total share capital of the Company as of 30 October 2018.

5. **Vesting period**

Vesting period represents the period from the Grant Date to the exercise date of the options, which is 24 months pursuant to the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

6. **Exercise period**

The date on which a participant is entitled to exercise his options must be a trading day.

If the conditions of exercise as stipulated under the Incentive Scheme are fulfilled after the expiry of a 24-month period from the Grant Date, the participants may exercise their options in stages within the following 60 months as follows:

| **Exercise period** | **Duration** | **Exercise proportion** |
|---|---|---|
| First exercise period | Commencing on the first trading day after the expiry of a 24-month period from the Grant Date and ending on the last trading day of a 36-month period from the Grant Date | 33% |
| Second exercise | Commencing on the first trading day after the expiry of a 36-month period from the Grant Date and ending on the last trading day of a 48-month period from the Grant Date | 33% |
| Third exercise period | Commencing on the first trading day after expiry of a 48-month period from the Grant Date and ending on the last trading day of a 84-month period from the Grant Date | 34% |

If the conditions of exercise are not fulfilled, the options available for exercise during any given exercise period shall not be exercised and shall not be accumulated to the next exercise period, and such portion of the options shall be cancelled by the Company.

If the conditions of exercise are met, but the options available for exercise are not exercised during the relevant exercise period, they will lapse automatically upon expiry of such exercise period.

*Performance targets of the Company:*

| Exercise Period | Performance targets |
|---|---|
| First exercise period | Return on net assets shall be no less than 16% in the most recent accounting year before the share options become effective; the compound growth rate of revenue shall be no less than 4% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry; |
| Second exercise period | Return on net assets shall be no less than 17% in the most recent accounting year before the share options become effective; the compound growth rate of revenue shall be no less than 5% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry; |
| Third exercise period | Return on net assets shall be no less than 18% in the most recent accounting year before the share options become effective; the compound growth rate of revenue shall be no less than 5.5% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry. |

The economic value added (EVA) shall also meet the Company's target set by SASAC.

*Performance targets of the participants:*

The participant obtains "pass" or better grading at the personal performance appraisal conducted by the human resources department of the Company in the most recent accounting year before the share options become effective.

7. **Exercise price**

The exercise price of the options granted to the participants under the Incentive Scheme is RMB6.05 per A share (before adjustment as set out in the paragraph below), being the highest of the following:

(1) the average trading price of the A shares on the last trading day immediately preceding the 19 December 2017 (being the date of the Company's announcement in relation to the proposed adoption of the initial A share option incentive scheme) (RMB6.02);

(2) the average of the trading prices of the A shares for the last 20 trading days immediately preceding 19 December 2017 (RMB6.04);

(3) the closing price of the A shares on the last trading day immediately preceding 19 December 2017 (RMB6.01);

(4) the average of the closing prices of the A shares for the last 30 trading days immediately preceding 19 December 2017 (RMB6.05); and

(5) RMB1.00, being the nominal value of an A share.

As set out in the Company's announcement dated 30 October 2018, on 13 July 2018, the Company has distributed a final dividend of RMB0.05 per share in respect of the period ended 31 December 2017 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB6.05 per A share to RMB6.00 per A share.

As set out in the Company's announcement dated 30 March 2020, on 28 June 2019, the Company has distributed a final dividend of RMB0.02 per share in respect of the period ended 31 December 2018 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB6.00 per A share to RMB5.98 per A share.

As set out in the Company's announcement dated 29 October 2020, on 10 July 2020, the Company has distributed a final dividend of RMB0.04 per share in respect of the period ended 31 December 2019 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB5.98 per A share to RMB5.94 per A share.

As set out in the Company's announcement dated 31 August 2021, on 16 July 2021, the Company has distributed a final dividend of RMB0.20 per share in respect of the period ended 31 December 2020 to holders of the A shares. Pursuant to the price adjustment mechanism set out in the Incentive Scheme, the exercise price of the options granted to the participants under the Incentive Scheme has been adjusted from RMB5.94 per A share to RMB5.74 per A share.

8. **Validity period**

The Incentive Scheme shall be effective for seven years from the Grant Date.

9. **Movement of options granted under the Incentive Scheme**

Details of movement of the options granted under the Incentive Scheme for the year ended 31 December 2023 and up to the date of this report were as follows:

| | Number of options | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name or category of participants | As at 1 January 2023 | Granted during the Reporting Period | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Exercised during the Reporting Period | Outstanding options as at 31 December 2023 and as at the date of this report | Date of grant | Vesting period | Exercise period | Exercise price (RMB) |
| Zhu Maijin | 141,440[(1)] | – | – | (141,440)[(3)] | – | 0 | 27 December 2018 | 2 years from date of grant | 28 December 2020 to 27 December 2025 | 5.74[(2)] |
| Other management and core technical personnel (132 participants) | 10,030,880[(1)] | – | (907,660)[(3)] | (9,123,220)[(3)] | – | 0 | 27 December 2018 | 2 years from date of grant | 28 December 2020 to 27 December 2025 | 5.74[(2)] |
| Total | 10,172,320 | – | (907,660)[(3)] | (9,264,660)[(3)] | – | 0 | | | | |

(1) The closing price of the A shares immediately before the date on which the options were granted was RMB4.50. The weighted average closing price of the A shares immediately before the date on which the options were exercised was RMB9.27.

(2) The exercise price was adjusted from RMB6.00 to RMB5.98 at the Board meeting on 30 March 2020. The exercise price was adjusted from RMB5.98 to RMB5.94 at the Board meeting on 29 October 2020. The exercise price was adjusted from RMB5.94 to RMB5.74 at the Board meeting on 30 August 2021.

(3) On 27 November 2023, the Board considered that the effective performance conditions at the Company level for the third period of the 2018 Stock Option Incentive Scheme of the Company have not been fulfilled, and approved the cancellation of 9,264,660 stock options corresponding to the third exercise period, together with the cancellation of 907,660 stock options granted but unexercised to the incentive recipients upon the expiry of the second exercise period, making a total of 10,172,320 stock options cancelled under the above two items.

During the Reporting Period, the Company did not grant any new share options or awards. As all the stock options granted in the Company's Incentive Scheme have been exercised or cancelled, the Company's Incentive Scheme has ended.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

By order of the Board
**Ren Yongqiang**
*Chairman*

Shanghai, the PRC
28 March 2024

# DUTY PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We, as independent non-executive Directors of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter referred to as the "**Company**"), now prepare and disclose the Duty Performance Report of Independent Non-executive Directors in 2023 in accordance with the format and requirement provided in Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) as below, and will report to the Shareholders at the annual general meeting of the Company.

## I. PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As independent non-executive Directors of the tenth Board of the Company, we are familiar with the basic knowledge of the operation of listed companies and the relevant laws and regulations, and possess the work experience and qualification necessary for due performance of the duties as independent non-executive Directors. There is no relation with the Company which would impact our independence, and that none of us are identified by the China Securities Regulatory Commission as personnels whose entry into the securities market is banned and the ban has not been lifted so far. We undertake again that any one of us will voluntarily resign as an independent non-executive Director in case of any disqualification to act as an independent non-executive Director during our tenure.

As at 31 December 2023, the Board comprises 8 Directors, including 2 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors. The constitution is in compliance with the minimum number of independent non-executive Directors required under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Listing Rules. The four independent non-executive Directors are Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen, and they are professionals with work experience in the fields of finance, corporate governance and maritime law, respectively and meet with the duty requirement as verified and confirmed by the relevant securities regulatory institutions of independent directors. Mr. Victor Huang, Mr. Li Runsheng, Mr. Wang Zuwen and Mr. Zhao Jinsong act as Chairman of the relevant committee (as the case may be), in four professional committees, i.e., the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Risk Control Committee under the Board, respectively. For further information of the biographical details of the four independent non-executive Directors, please refer to the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" disclosed in the annual report.

## II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

Our four independent non-executive Directors all earnestly performed their duties with independent judgment by fulfilling the statements and undertakings we made during selection since the date on which we were selected and appointed at the general meeting of the Company. We acted independently of the substantial shareholders and the ultimate controlling shareholder of the Company or other entities or individuals who have a stake in the Company, protecting the legitimate rights and interests of shareholders as a whole according to law.

### 1. Attendance of Board Meetings and General Meetings

In 2023, we attended shareholders' general meetings and Board meetings in person or by proxy. The Company provided the relevant information and agenda for our preview prior to the dates of the said meetings, ensuring sufficient time for us to know and study the relevant issues. At the Board meetings, we have earnestly considered each proposal through active participation in the discussion and with independent judgement, and presented professional and constructive opinions for the significant decisions of the Company. We have also exercised our voting rights on the proposals of the meetings for the pursuit of the lawful rights and interests of the Company and shareholders as a whole. At the general meetings, we have earnestly heard the queries raised by shareholders present at the meetings in relation to the issues they were concerned about and the production and operation of the Company, which were studied as problems that had to be paid attention to during our duty performance, thus helping us to have a deeper understanding of the Company aiming for better performance of our duties.

In 2023, the Company convened 10 Board meetings (6 meetings of which were held by way of correspondence) and 1 general meeting. We have reported our annual duty performance report in the annual general meeting for 2022 and the report is published on designated media including the Company's website and the website of the Shanghai Stock Exchange.

## II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

### 1. Attendance of Board Meetings and General Meetings (Continued)

The following table shows the attendance of independent non-executive Directors at the above meetings in 2023:

| Name | Number of Board meetings required to attend this year (times) | Attend Board meetings in person (times) | Attend Board meetings by proxies (times) | Board meetings absence (times) |
|---|---|---|---|---|
| Mr. Victor Huang (黃偉德) | 10 | 10 | 0 | 0 |
| Mr. Li Runsheng (李潤生) | 10 | 10 | 0 | 0 |
| Mr. Zhao Jinsong (趙勁松) | 10 | 10 | 0 | 0 |
| Mr. Wang Zuwen (王祖溫) | 10 | 10 | 0 | 0 |

| Name | Number of general meetings required to attend this year (times) | Attend general meetings in person (times) | General meetings absence (times) |
|---|---|---|---|
| Mr. Victor Huang (黃偉德) | 1 | 1 | 0 |
| Mr. Li Runsheng (李潤生) | 1 | 1 | 0 |
| Mr. Zhao Jinsong (趙勁松) | 1 | 1 | 0 |
| Mr. Wang Zuwen (王祖溫) | 1 | 1 | 0 |

## II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

### 2. Work of Professional Committees of the Board

*(1) Strategy Committee*

By the end of 2023, the Strategy Committee of the Board of the Company consisted of 6 Directors, including 2 executive Directors, 2 non-executive Directors and 2 independent non-executive Directors. Mr. Ren Yongqiang was the Chairman, and Mr. Li Runsheng and Mr. Zhao Jinsong were among the members. During 2023, the Strategy Committee held two meetings and considered 3 proposals including 2022 Sustainability Report of the Company, 2023 Investment Plan and Disposal Plan of the Company, and the proposal on the Company's Biodiversity Conservation Plan (《生物多樣性保護計劃》) and Biodiversity Conservation Statement (《生物多樣性保護聲明》).

*(2) Audit Committee*

By the end of 2023, the Audit Committee comprised 3 independent non-executive Directors. Mr. Victor Huang was the Chairman, and Mr. Zhao Jinsong and Mr. Wang Zuwen were the members.

During 2023, the Audit Committee held 6 meetings, considered 14 proposals including the proposal on the accounting treatment of income tax liabilities after adjusting for profit-sharing arrangements of overseas subsidiaries of the Company, the Audit Committee's 2022 performance report, 2022 annual report on operation and basic financial situation, 2022 audit report, the proposal on the Company's 2022 internal control system report, report on the Company's 2022 internal audit work summary and 2023 work plan, the proposal on the Company's 2022 connected transaction report, the proposal on appointment of auditing institutions for 2023, the proposal on the Company's first quarterly report in 2023, operation and financial situation in the first half of 2023, 2023 half-year review, the proposal on the Company's 2023 third quarterly report, proposal on audit plan of the Company's 2023 domestic and overseas financial report, and the proposal on the establishment of a 2024 pre-approval policy for "non-assurance services" for overseas audit institutions.

The Audit Committee holds at least two meetings with the external auditors each year to discuss any issues in the course of the auditing and management is not allowed to attend the meeting. In 2023, the Audit Committee held 2 meetings with the external auditors. The Audit Committee will first review the interim and annual reports before submitting the results to the Board. When reviewing the interim and annual reports, the Audit Committee will not only pay attention to changes in the accounting policies and practices but also comply with the relevant requirements, under such accounting policies, the Listing Rules and relevant laws. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

## II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

### 2. Work of Professional Committees of the Board (Continued)

*(3) Remuneration and Appraisal Committee*

By the end of 2023, the Remuneration and Appraisal Committee consisted of 3 independent non-executive Directors. Mr. Li Runsheng was the Chairman, and Mr. Victor Huang and Mr. Wang Zuwen were the members.

In 2023, the Remuneration and Appraisal Committee held 4 meetings, considered 9 proposals including the proposal on the formulation of "Measures for the Administration of Employee Welfare Expenses of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司職工福利費管理辦法》), the proposal on the implementation of tenure and contractual management for new and adjusted members of the management, the proposal on the 2022 Pre-cash of Remuneration for the management, the proposal on the 2023 Company's remuneration program for directors, the proposal on the consideration of the amendments to the tenure and contractual system of the Company and the adjustments to the signing documents of the members of the management, the proposal on "2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司2023年股票期權激勵計劃(草案)》) and its summary, the proposal on "Administrative Measures for the 2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司2023年股票期權激勵計劃管理辦法(草案)》), the proposal on "Administrative Measures for the Implementation and Appraisal of the 2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." (《中遠海運能源運輸股份有限公司2023年股票期權激勵計劃實施考核管理辦法(草案)》), and the proposal on the failure to achieve the exercise conditions for the third period of the 2018 Stock Option Incentive Scheme of the Company and to cancel all stock options granted but not yet exercised.

*(4) Nomination Committee*

By the end of 2023, the Nomination Committee consisted of 3 Directors, all being independent non-executive Directors, and Mr. Wang Zuwen was the Chairman, and Mr. Victor Huang and Mr. Li Runsheng were the members.

In 2023, the Nomination Committee convened 1 meeting and considered one proposal on the appointment of Mr. Yu Bozheng as the General Counsel of the Company.

*(5) Risk Control Committee*

By the end of 2023, the Risk Control Committee consisted of three Directors, two of whom were independent non-executive Directors. Mr. Zhao Jinsong was the Chairman, and Mr. Wang Zuwen was among the members.

## II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

### 2. Work of Professional Committees of the Board (Continued)

#### (5) *Risk Control Committee* (Continued)

In 2023, the Risk Control Committee held 3 meetings and considered 5 proposals including the proposal on the Report on the Company's Internal Control and Risk Management in 2022, the proposal on the Company's 2022 Compliance Management Report, the proposal on the Company's Safety Work Report in 2023, the proposal on the Company's 2023 Currency Derivatives Business Plan, and the Proposal on the Company's Risk and Internal Control Manual Version 3.0 (《風險與內部控制手冊3.0版》).

Each of us earnestly executed our duties as independent non-executive Directors in the above-mentioned five professional committees under the Board, agreed to the above-mentioned proposals, fully expressed our opinions and suggestions, exercised our voting rights independently, objectively and prudently, and all the suggestions were adopted, giving full play to the working functions of the professional committees and promoting the Board to improve the level of scientific decision-making.

### 3. Attendance at the Specialized Meeting of Independent Directors

In 2023, the special meeting of the independent directors of the Company held 1 meeting to consider a proposal on the investment in the construction of 6 new oil tankers. We critically reviewed whether the pricing of the transaction is fair and reasonable; whether the other terms are in line with business practices; whether the connected transaction matters are in line with the Company's development strategy and long-term interests and follow the principles of equality and voluntariness; and whether there are any circumstances that would jeopardize the interests of the Company and its shareholders, in particular the small- and medium-sized shareholders, and we expressed our concurring opinion.

### 4. Approach and Situation of On-site Work

In 2023, we maintained close contact with other directors, senior management and relevant staff of the Company by attending meetings of the Board and its committees, general meetings and other meetings on-site or by video, exchanging information with the internal auditors, and exchanging emails, etc. We examined the Company's actual operation, internal control and financial condition, and actively participated in the Company's interaction and communication with investors to keep abreast of the progress of the Company's critical events and to fully play our role as a guide and supervisor. In addition, we conducted on-site investigations of the subsidiaries of the Company and conducted on-site exchanges, seminars and enquiries with the persons-in-charge and staff of the subsidiaries, so as to fulfill our responsibilities and obligations as independent directors in a practical manner.

## II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES (Continued)

### 5. Independent Opinions

In 2023, we gave independent directors' opinions on matters such as reappointment of auditors, estimated guarantees, related party funds embezzlement, routine related transactions, internal control, deposit and use of the raised funds, profit distribution, the remuneration of directors and senior management, plan for currency-based financial derivatives, report on the continuous assessment of risks of COSCO SHIPPING Finance Company Limited, and the share option incentive scheme.

## III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

### 1. Related Party Transactions

The Company formulated and executed the "System for the Administration of Related Party Transactions of COSCO SHIPPING Energy", pursuant to which, the related party (connected) transactions business was operated according to law and regulation. Board meetings and general meetings are convened as required at which the related directors and shareholders abstain from voting with relevant transactions approved by non-connected directors or shareholders, independent non-executive Directors all make statements and express independent opinions, which eradicates the occurrence of related party (connected) transactions conducted by substantial shareholders in violation of relevant regulations.

### 2. External Guarantee and Funds Embezzlement

The Company conducted its external guarantee actions in strict compliance with the external guarantee procedures explicitly provided in the Articles to ensure fund safety of the Company. The "Measures for the Administration of Preventing Funds Embezzlement by Controlling Shareholder and Related Parties of COSCO SHIPPING Energy Transportation Co., Ltd." (《中遠海運能源運輸股份有限公司防範控股股東及關聯方資金佔用管理辦法》) was implemented and executed, and so far there has occurred neither any illegal guarantee action in the Company, nor any funds embezzlement by the substantial shareholders.

### 3. Use of the Raised Funds

The Company complied with the relevant laws and regulations in respect of the deposit and use of the raised funds during the course of funds-raising management. The raised funds were deposited in separate accounts and used for specific purposes, there was no illegal use of the funds nor situations which may impair shareholders' interests.

### 4. Nomination of Senior Managerial Staff and their Remuneration

In 2023, the Board appointed Mr. Yu Bozheng as the general counsel of the Company for a term commencing from the date of approval by the Board until April 2025. After the review on his personal documents, we think he is eligible to be a member of the management team.

## III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

### 4. Nomination of Senior Managerial Staff and their Remuneration (Continued)

The Company has established incentive mechanisms that correlated with business results in order to encourage the Company's management team to implement targeted management, increase profitability and to promote activeness of managers and technicians.

As authorized by the Shareholders' meeting of the Company, the Board approved the granting of 35,460,000 share options to 133 participants on 27 December, 2018. Given that the exercise conditions for the third period of the 2018 Stock Option Incentive Scheme of the Company have not been fulfilled, we approved that the Board cancelled 9,264,660 stock options corresponding to the third exercise period, together with the cancellation of 907,660 stock options granted but unexercised to the incentive recipients upon the expiry of the second exercise period, making a total of 10,172,320 stock options cancelled under the above two items.

All of the above matters were in compliance with the conditions stipulated in the relevant laws, regulations and regulatory documents, and there were no circumstances that would jeopardize the interests of the Company and all shareholders.

On 26 October 2023, the Board approved the implementation of the new Stock Option Incentive Scheme of the Company, under which a total of 28,081,900 shares are proposed to be granted as stock options to the incentive recipients, involving underlying shares of A ordinary shares, which accounted for approximately 0.589% of the total share capital of the Company at the time of the announcement of the Scheme.

We believe that this Incentive Scheme is conducive to the sustainable and healthy development of the Company, is in the interests of the listed company and all shareholders, and is not detrimental to the interests of the Company and all shareholders, and we agree to submit the relevant proposal to the general meeting of the Company and the class A shareholders' meeting and the class H shareholders' meeting for consideration.

### 5. Results Forecast and Preliminary Financial Data

The Company released a profit forecast announcement in January 2023 as the Company's performance results for 2022 turned from a loss to a profit and the Company released a profit warning in July 2023 as the Company was profitable in the first half of 2023 and the net profit attributable to shareholders of the listed company increased by more than 50% as compared with corresponding period of 2022.

## III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

### 6. Appointment or Replacement of Certified Public Accountants

The Company's second meeting of the Board held on 30 March 2023 approved the proposal on reappointment of the auditors for 2023, including:

Reappointment of ShineWing Certified Public Accountants (Special General Partnership) ("**ShineWing**") as the domestic auditor of the Company for the year 2023 and reappointment of PricewaterhouseCoopers as the international auditor of the Company for the year 2023.

ShineWing is qualified to practice securities and futures related business issued by the competent state authorities and is able to meet the relevant requirements of the Company's domestic audit work. PricewaterhouseCoopers has the certificate of registration issued by the Hong Kong Institute of Certified Public Accountants and the business registration certificate issued by the Hong Kong Inland Revenue Department, and is qualified to be appointed as the Company's auditor under Professional Accountants Ordinance pursuant to rule 4.03 of the Hong Kong Listing Rules. PricewaterhouseCoopers is able to meet the relevant H-Share requirements for the audit of the Company's.

We agreed to reappointment ShineWing to serve as the Company's domestic auditor and PricewaterhouseCoopers as the international auditor in 2023. We believed that the Company's decision-making procedures were legally compliant and no damage would be caused to the Company or the interests of small and medium shareholders.

### 7. Cash Dividends and Other Returns for Investors

The Company's second meeting of the Board, held on 30 March 2023, approved 2022 profit distribution plan of the Company and agreed to pay a cash dividend of RMB0.15 per share (tax included) to all shareholders on the basis of the total share capital registered as at the date of the shareholding registration as ascertained by the Company, representing a dividend payout ratio of approximately 49.10% and totaling approximately RMB716 million. The above proposal was approved at the 2022 Annual General Meeting.

We were of the view that the profit distribution was conducive to the sustainable and stable development of the Company, took investors' returns into consideration, and was in the interests of all shareholders.

## III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

### 8. Fulfillment of Undertakings by the Company and Shareholders

China Shipping Group Company Limited, the direct controlling shareholder of the Company, and China COSCO SHIPPING Corporation Limited, the indirect controlling shareholder of the Company, successively made the commitments of non-competition, avoidance and reduction of related party transactions, profit forecasting and compensation, capital security, independence, etc. to the Company.

From then to date, no breach of the undertaking was committed.

### 9. Implementation of Information Disclosure

The Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, habit of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the PRC and Hong Kong. In the meantime, the Company has promoted the investor relations management and the exchange and communication with investors at home and abroad, and has disclosed information according to laws and regulations to improve the transparency of the Company, in order to ensure the informed right of the investors from domestic and abroad.

### 10. Implementation of Internal Controls

In 2023, the Company took the optimization of its organizational structure as an opportunity and insisted on integration of internal control with risk management and compliance management, made comprehensive revision and upgrade on the Company's Risk and Internal Control Manual (《公司風險與內部控制手冊》). The Company continued to build an integrated compliance and risk control system at home and abroad on this basis. The Company released the Export Control Compliance Manual (《出口管制合規手冊》) and the Outbound Data Transfer Compliance Manual (《數據出境合規手冊》), and overseas companies in the UK, U.S., Singapore and Hong Kong issued their own compliance manuals. The Company is committed to promoting digital empowerment for compliance and risk control, guided by the principle of "integrating risk management into business and digitalization", and it has identified 14 key risk control indicators, established full-process control, automatic early warning and tracking evaluation for the company's key operational and management activities via data accumulation through the system and data modeling development, exploring the transformation of risk management from "people-oriented prevention and control" to "technology-oriented prevention and control."

## III. KEY CONCERNS IN THE ANNUAL DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

### 11. Operation of the Board and its Professional Committees

The Board was established with clear terms of reference and sound systems, and the independent non-executive directorship system was effectively implemented. In accordance with the provisions of relevant laws and regulations such as the Company Law of the PRC as well as the Articles, the Company formulated the Rules and Procedures of Meetings of the Board of Directors, which formed an integral part of the Articles. All procedures, rules and systems required by the Rules and Procedures of Meetings of the Board of Directors were strictly followed.

According to the Implementation Rules, professional committees of the Board convened regular or ad hoc meetings to conduct special discussions or researches on any resolution relating to significant matters before it was proposed to the Board for consideration and approval. This not only ensured the quality of resolutions proposed to the Board, but also strengthened the communications and exchanges among the Company, our independent non-executive Directors and relevant intermediaries. It was also instrumental in improving the operation efficiency of the Board and making scientific decisions for significant matters, and played an active role in promoting the standardised operation of the Company.

### 12. Other Matters which are Required by the Independent Non-executive Directors to be Improved

We, the 4 independent non-executive Directors, unanimously consider that the Company is in compliance with the requirements of relevant laws and regulations and other regulatory documents of the PRC in respect of standardised operation and corporate governance, and currently identify no matter which requires improvement. During 2023, we did not oppose any proposal discussed at Board meetings and other meetings of the Company. We will also continue to pay attention to the information disclosure work of the Company, and timely feedback to the Board the concerns of the public shareholders of the Company that we have learned through various channels, so as to protect the right to information of investors, especially small- and medium-sized shareholders, and to safeguard the interests of the Company and its shareholders.

We hope that in the coming year, the Company will further expand its market presence, strive to achieve stable development and reward its shareholders with excellent results.

## IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

In 2023, we maintained regular communication with management of the Company and, while attending relevant meetings held by the Company, developed a comprehensive understanding of the Company's production operations and standardised operation by talking with employees, paying site visits to the workplaces and communicating with accountants. We actively attended general meetings, Board meetings and meetings of professional committees of the Board and expressed fair and objective independent opinions on relevant significant matters discussed by the Board, thereby giving our advice on the long-term development of the Company. Adhering to the principle of serving the interests of all shareholders of the Company, we performed our duties independently and diligently in strict compliance with the requirements of applicable laws and regulations.

In 2024, we will continue to comply with the laws and regulations and the provisions of the Articles in the spirit of integrity and diligence, subject ourselves to the supervision of securities regulatory authorities, play the role of independent non-executive Directors and lawfully safeguard the legal interests of all shareholders, especially the small and medium shareholders of the Company.

We would like to take this opportunity to express our respect and gratitude to the Board, the management team and relevant staff of the Company for their positive and effective cooperation and support for our performance of duties.

Independent Non-executive Directors:
**Victor Huang**
**Li Runsheng**
**Zhao Jinsong**
**Wang Zuwen**

28 March 2024

# REPORT OF THE SUPERVISORY COMMITTEE

## I. WORK OF THE SUPERVISORY COMMITTEE

1. In 2023, the Supervisory Committee held 8 meetings, details of which are set out below:

| Date | Content |
|---|---|
| 30-January-23 | 1. Proposal on the accounting treatment of income tax liabilities after adjusting for profit-sharing arrangements of overseas subsidiaries of the Company |
| 30-March-23 | 1. Report of the General Manager of the Company for 2022<br>2. Report on the work of the Company's Supervisory Committee in 2022<br>3. 2022 Annual Report of the Company (A Share/H Share)<br>4. 2022 audited financial report of the Company<br>5. 2022 profit distribution plan of the Company<br>6. 2022 Sustainability Report of the Company<br>7. Proposal on the internal control work report of the Company for 2022<br>8. Proposal on the Company's connected transactions report for 2022<br>9. Proposal on the special report on the deposit and actual use of the Company's fund raising for year of 2022<br>10. Proposal on the Company's Supervisors' Compensation Program for 2023<br>11. Proposal on the Company's Budget Report for 2023 |
| 28-April-23 | 1. First quarterly report of 2023 |
| 5-June-23 | 1. Proposal on the guarantee quota given by the Company to its wholly-owned subsidiaries for the second half of 2023 and the first half of 2024 |
| 30-August-23 | 1. Report of the General Manager of the Company for the first half of 2023<br>2. Interim report and results announcement for the six months ended 30 June 2023<br>3. Proposal on the Report on the Continuous Assessment of the Risks of COSCO Shipping Finance Company Limited |
| 26-October-23 | 1. Third quarterly report of 2023<br>2. Proposal on "2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." and its summary<br>3. Proposal on "Administrative Measures for the 2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co."<br>4. Proposal on "Administrative Measures for the Implementation and Appraisal of the 2023 Share Option Incentive Scheme (Draft) of COSCO Shipping Energy Transportation Co." |
| 27-November-23 | 1. Proposal on the failure to achieve the exercise conditions for the third period of the 2018 Stock Option Incentive Scheme of the Company and to cancel all stock options granted but not yet exercised |
| 28-December-23 | 1. Proposal on the investment in new construction of six oil tankers |

2. Composition of the Supervisory Committee and the attendance of Supervisors at the above meetings in 2023:

| Name | Position | Number of Supervisory Committee meetings required to attend this year | Attend Supervisory Committee meetings in person | Attend Supervisory Committee meetings by proxies | Absence |
|---|---|---|---|---|---|
| Weng Yi (翁羿) | Chairman | 7 | 7 | 0 | 0 |
| Yang Lei (楊磊) | Supervisor | 7 | 7 | 0 | 0 |
| Xu Yifei (徐一飛) | Supervisor as a representative of employees (resigned on 1 September, 2023) | 5 | 5 | 0 | 0 |
| Zeng Xiangfeng (曾向峰) | Supervisor as a representative of employees (resigned on 1 September, 2023) | 5 | 5 | 0 | 0 |
| Chen Hua (陳華) | Supervisor as a representative of employees (appointed on 1 September, 2023) | 3 | 3 | 0 | 0 |
| Wang Zhenming (王振明) | Supervisor as a representative of employees (appointed on 1 September, 2023) | 3 | 3 | 0 | 0 |

3. Attendance of Supervisors at the general meetings in 2023

| Name | Position | Number of general meetings required to attend this year | Attend general meetings in person | Absence |
|---|---|---|---|---|
| Weng Yi (翁羿) | Chairman | 1 | 1 | 0 |
| Yang Lei (楊磊) | Supervisor | 1 | 1 | 0 |
| Xu Yifei (徐一飛) | Supervisor as a representative of employees (resigned on 1 September, 2023) | 1 | 1 | 0 |
| Zeng Xiangfeng (曾向峰) | Supervisor as a representative of employees (resigned on 1 September, 2023) | 1 | 1 | 0 |
| Chen Hua (陳華) | Supervisor as a representative of employees (appointed on 1 September, 2023) | 0 | 0 | 0 |
| Wang Zhenming (王振明) | Supervisor as a representative of employees (appointed on 1 September, 2023) | 0 | 0 | 0 |

## II. SUPERVISORY COMMITTEE'S VIEW OF THE COMPANY'S OPERATION IN 2023

### 1. Legal Operation

During the Reporting Period, according to the Company Law of the PRC, the Securities Law of the PRC, the Listing Corporation Governance Guidelines of CSRC and relevant laws and regulations, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures of the Company and improves the corporate governance of the Company. Checks and balances were achieved through the coordination among the Shareholders at the general meeting, the Board and its related special Board committees, the Supervisory Committee and management headed by the General Manager.

The Company has established a comparatively complete internal control system and followed legitimate decision-making process. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. As far as the Supervisory Committee is aware, the directors and the senior management of the Company have not contravened any laws and regulations and/or the Articles or damaged the interests of the Company when performing their duties.

### 2. Financial Condition

The Company had standard financial accounting and healthy internal control system. The financial report of the Company objectively, truthfully and fairly reflects its financial condition and operational performance. The 2023 annual consolidated financial statements represented a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows in 2023 and the 2023 annual consolidated financial statements were audited by ShineWing and PricewaterhouseCoopers.

### 3. Related Party Transactions

The Supervisory Committee has connected carefully reviewed the 2023 related party transactions of the Company and considered that the related party transactions with COSCO SHIPPING Heavy Industry (Yangzhou) and with COSCO SHIPPING Heavy Industry (Dalian) are all necessary to the routine operations of the Company. The related party transactions was priced by a fair market principle, following the principle of fairness, justice and transparency, undertaking legal decision-making procedure and according with the relevant local listing rules. The information disclosure is standard and transparent. There is no such behavior detrimental to the interest of the Company.

### 4. Self-assessment Report of Internal Control

The self-assessment report of internal control of the Company can truthfully reflect its actual condition of the establishment and implementation of internal control. The internal control system of the Company is sound and effective.

5. **Establishment and Implementation of Insider Information Management System**

The insider information management system of the Company is perfect and effective to guarantee the security of inside information.

6. **Stock Incentive Scheme**

The Supervisory Committee has verified the Company's 2023 Share Option Incentive Scheme (Draft) and its related matters, and the qualifications of the Company and all the incentive recipients are lawful and valid. It has not found that the preparation, review process and contents of the Incentive Scheme have violated the provisions of relevant laws, regulations and regulatory documents, and any circumstances damages the interest of the Company and all shareholders.

The Supervisory Committee has reviewed the conditions for the exercise of the third exercise period of the 2018 Share Option Incentive Scheme of the Company and verified that: the cancellation of the stock options which should be cancelled due to the Company's failure to achieve the exercise conditions for the third period of the 2018 Stock Option Incentive Scheme of the Company and the expiry of the second exercise period is true, the procedures are in compliance with the regulations, there are no falsehoods, intentional concealment or material misunderstandings, and they complies with the relevant laws, rules and regulations and regulatory documents.

7. **Information Disclosure Management System**

During the Reporting Period, the Company has earnestly fulfilled the obligation of information disclosure through better consideration of the difference in the areas of laws and regulations, listing rules, disclosure procedures, habit of domestic and overseas investors between Shanghai and Hong Kong to make information disclosure in a timely, legal, truthful and complete manner, which has effectively integrated the information disclosure between the PRC and Hong Kong.

By order of the Supervisory Committee
**Weng Yi**
*Chairman of the Supervisory Committee*

Shanghai, the PRC
28 March 2024

pwc

羅兵咸永道

**TO THE MEMBERS OF COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.**
(Incorporated in the People's Republic of China with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 111 to 225, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is freight revenue for vessel voyages in progress at year end.

## KEY AUDIT MATTERS (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Freight revenue for vessel voyages in progress at year end**<br><br>Refer to Note 5 to the consolidated financial statements.<br><br>For year ended 31 December 2023, the Group recognises revenues of RMB21,912 million out of which RMB17,780 million was related to freight revenue which represents revenue from oil transportation excluding vessel chartering.<br><br>The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information.<br><br>We focused on the recognition of freight revenue at year end due to the calculations involved in the estimation of freight revenue for vessel voyages in progress at year end. | Our procedures in relation to management's estimation of freight revenue for vessel voyages in progress at year end included:<br><br>• obtained an understanding of management's internal control and estimation process and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as complexity;<br><br>• evaluated and tested the key controls that management has established in respect of recording freight revenue, focusing on management's controls over the estimate of freight revenue for vessel voyages which were still in progress at year end;<br><br>• tested the oil shipment volume and unit price maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer contracts;<br><br>• checked the port loading and discharging information (i.e. time and date) on a sample basis against the supporting documents such as ullage reports; and<br><br>• recomputed the estimated freight revenue and calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records.<br><br>Based on the audit procedures performed, we found the freight revenue for vessel voyages in progress at year end was supportable based on the evidence we gathered. |

## OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 28 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Note | For the year ended 31 December 2023 RMB'000 | 2022 RMB'000 (Restated*) |
|---|---|---|---|
| Revenues | 5 | **21,912,456** | 18,566,795 |
| Operating costs | 8 | **(15,417,366)** | (15,157,996) |
| Gross profit | | **6,495,090** | 3,408,799 |
| Other income and other gains, net | 6 | **882,674** | 347,844 |
| Marketing expenses | 8 | **(76,996)** | (57,273) |
| Administrative expenses | 8 | **(975,955)** | (947,749) |
| Provision for impairment losses on financial and contract assets | | **(225,295)** | (4,402) |
| Other expenses | | **(109,308)** | (43,125) |
| Share of profits of associates | 19 | **457,602** | 317,497 |
| Share of profits of joint ventures | 20 | **730,288** | 725,255 |
| Impairment losses on investment in joint ventures | 9 | **(984,111)** | – |
| Finance costs | 7 | **(1,453,793)** | (993,999) |
| **Profit before tax** | | **4,740,196** | 2,752,847 |
| Income tax expense | 10 | **(1,082,355)** | (964,755) |
| **Profit for the year** | | **3,657,841** | 1,788,092 |
| **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 | | **(45,350)** | (89,362) |
| Remeasurement of defined benefit plan payable | | **(30,230)** | 2,560 |
| Exchange differences from retranslation of financial statements of subsidiaries | | **8,466** | 46,069 |
| *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 | | **152,383** | 551,195 |
| Net profit on cash flow hedges | | **30,111** | 619,172 |
| Hedging (loss)/gain reclassified to profit | 7 | **(77,763)** | 80,219 |
| Share of other comprehensive income of associates | | **52,462** | 52,907 |
| Share of other comprehensive income of joint ventures | | **89,310** | 594,283 |
| **Other comprehensive income for the year** | | **179,389** | 1,857,043 |
| **Total comprehensive income for the year** | | **3,837,230** | 3,645,135 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2023

| | Note | For the year ended 31 December 2023 RMB'000 | 2022 RMB'000 (Restated*) |
|---|---|---|---|
| **Profit for the year attributable to:** | | | |
| Equity holders of the Company | | **3,348,717** | 1,460,862 |
| Non-controlling interests | | **309,124** | 327,230 |
| **Profit for the year** | | **3,657,841** | 1,788,092 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Company | | **3,546,498** | 2,934,486 |
| Non-controlling interests | | **290,732** | 710,649 |
| | | **3,837,230** | 3,645,135 |
| **Earnings per share** | 14 | | |
| – Basic (RMB cents/share) | | **70.19** | 30.64 |
| – Diluted (RMB cents/share) | | **70.19** | 30.60 |

* See Note 2.2 for details.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2023

| | Note | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated*) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment properties | 15 | **2,259** | 2,259 |
| Property, plant and equipment | 16 | **50,050,525** | 47,179,133 |
| Right-of-use assets | 17 | **651,392** | 834,747 |
| Goodwill | 18 | **73,325** | 73,325 |
| Investments in associates | 19 | **5,011,950** | 4,392,639 |
| Investments in joint ventures | 20 | **5,069,962** | 5,377,379 |
| Loan receivables | 22 | **1,301,256** | 1,293,889 |
| Financial assets at fair value through other comprehensive income | 23(a) | **291,794** | 387,090 |
| Deferred tax assets | 24(a) | **35,856** | 38,645 |
| Derivative financial instruments | 31 | **92,083** | 116,525 |
| Other non-current assets | | **34,021** | 172,236 |
| | | **62,614,423** | 59,867,867 |
| **CURRENT ASSETS** | | | |
| Current portion of loan receivables | 22 | **18,979** | 19,046 |
| Inventories | 25 | **1,149,827** | 1,278,069 |
| Contract assets | 26 | **1,551,166** | 1,632,174 |
| Trade and bills receivables | 26 | **582,601** | 545,041 |
| Prepayments, deposits and other receivables | 27 | **531,186** | 668,099 |
| Taxes recoverable | | **7,431** | 40 |
| Pledged bank deposits | 28 | **781** | 778 |
| Cash and bank | 28 | **5,627,218** | 4,239,339 |
| | | **9,469,189** | 8,382,586 |
| **TOTAL ASSETS** | | **72,083,612** | 68,250,453 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As At 31 December 2023

| | Note | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated*) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Provision and other liabilities | | **29,407** | 18,634 |
| Derivative financial instruments | 31 | **9,426** | – |
| Interest-bearing bank and other borrowings | 32 | **22,917,086** | 20,746,728 |
| Other loans | 33 | **907,941** | 945,044 |
| Employee benefits payable | 34 | **201,743** | 159,908 |
| Lease liabilities | 17 | **733,727** | 1,086,548 |
| Deferred tax liabilities | 24(b) | **1,454,627** | 1,132,313 |
| | | **26,253,957** | 24,089,175 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 29 | **1,707,876** | 1,939,321 |
| Other payables and accruals | 30 | **1,421,214** | 1,000,003 |
| Contract liabilities | | **99,780** | 18,894 |
| Current portion of interest-bearing bank and other borrowings | 32 | **4,707,252** | 7,018,242 |
| Current portion of other loans | 33 | **52,069** | 48,678 |
| Current portion of employee benefits payable | 34 | **11,790** | 30,521 |
| Current portion of lease liabilities | 17 | **392,902** | 370,554 |
| Current tax liabilities | | **333,449** | 164,304 |
| | | **8,726,332** | 10,590,517 |
| **TOTAL LIABILITIES** | | **34,980,289** | 34,679,692 |

| | Note | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated*) |
|---|---|---|---|
| **EQUITY** | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 35 | **4,770,776** | 4,770,776 |
| Reserves | 36 | **29,620,728** | 26,799,895 |
| | | **34,391,504** | 31,570,671 |
| Non-controlling interests | | **2,711,819** | 2,000,090 |
| **TOTAL EQUITY** | | **37,103,323** | 33,570,761 |

* See Note 2.2 for details.

**Ren Yongqiang**
*Director*

**Zhu Maijin**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Revaluation reserve RMB'000 | Capital reserve RMB'000 | Merger reserve RMB'000 | Statutory reserve RMB'000 | Safety fund reserve RMB'000 | General surplus reserve RMB'000 | Hedging reserve RMB'000 | FVOCI revaluation reserve RMB'000 | Translation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 31 December 2021 (as previously reported) | 4,762,692 | 12,096,153 | 273,418 | 105,426 | (286,027) | 2,877,435 | 4,484 | 93,158 | (555,354) | 125,235 | (447,677) | 9,542,103 | 28,591,046 | 1,331,237 | 29,922,283 |
| Effect of change in accounting policy | - | - | - | - | - | - | - | - | - | - | - | 444 | 444 | 427 | 871 |
| At 1 January 2022 (restated) | 4,762,692 | 12,096,153 | 273,418 | 105,426 | (286,027) | 2,877,435 | 4,484 | 93,158 | (555,354) | 125,235 | (447,677) | 9,542,547 | 28,591,490 | 1,331,664 | 29,923,154 |
| Profit for the year (restated) | - | - | - | - | - | - | - | - | - | - | - | 1,460,862 | 1,460,862 | 327,230 | 1,788,092 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | (45,575) | - | - | (45,575) | (43,787) | (89,362) |
| Remeasurement of defined benefit plan payable | - | - | - | - | - | - | - | - | - | - | - | 2,560 | 2,560 | - | 2,560 |
| Currency translation differences | - | - | - | - | - | - | - | - | - | - | 551,195 | - | 551,195 | 46,069 | 597,264 |
| Net profit on cash flow hedges | - | - | - | - | - | - | - | - | 294,763 | - | - | - | 294,763 | 324,409 | 619,172 |
| Hedging gain reclassified to profit or loss | - | - | - | - | - | - | - | - | 32,729 | - | - | - | 32,729 | 47,490 | 80,219 |
| Share of other comprehensive profit of associates | - | - | - | - | - | - | - | - | 39,604 | (23) | 4,088 | - | 43,669 | 9,238 | 52,907 |
| Share of other comprehensive profit of joint ventures | - | - | - | - | - | - | - | - | 529,498 | - | 64,785 | - | 594,283 | - | 594,283 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 896,594 | (45,598) | 620,068 | 1,463,422 | 2,934,486 | 710,649 | 3,645,135 |
| Issue of A shares in connection with the exercise of share options | 8,084 | 47,214 | - | (8,893) | - | - | - | - | - | - | - | - | 46,405 | - | 46,405 |
| Accrual of safety fund reserve | - | - | - | - | - | - | 171,925 | - | - | - | - | (181,069) | (9,144) | 9,144 | - |
| Utilisation of safety fund reserve | - | - | - | - | - | - | (172,395) | - | - | - | - | 177,281 | 4,886 | (4,886) | - |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (178,990) | (178,990) |
| Fair value of share options granted | - | - | - | 2,548 | - | - | - | - | - | - | - | - | 2,548 | - | 2,548 |
| Contribution from non-controlling interests of the subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 132,509 | 132,509 |
| At 31 December 2022 (restated) | 4,770,776 | 12,143,367 | 273,418 | 99,081 | (286,027) | 2,877,435 | 4,014 | 93,158 | 341,240 | 79,637 | 172,391 | 11,002,181 | 31,570,671 | 2,000,090 | 33,570,761 |

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Revaluation reserve RMB'000 | Capital reserve RMB'000 | Merger reserve RMB'000 | Statutory reserve RMB'000 | Safety fund reserve RMB'000 | General surplus reserve RMB'000 | Hedging reserve RMB'000 | FVOCI revaluation reserve RMB'000 | Translation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 31 December 2022 (as previously reported) | 4,770,776 | 12,143,367 | 273,418 | 99,081 | (286,027) | 2,877,435 | 4,014 | 93,158 | 341,240 | 79,637 | 172,391 | 11,001,993 | 31,570,483 | 1,999,907 | 33,570,390 |
| Effect of change in accounting policy | - | - | - | - | - | - | - | - | - | - | - | 188 | 188 | 183 | 371 |
| At 1 January 2023 (restated) | 4,770,776 | 12,143,367 | 273,418 | 99,081 | (286,027) | 2,877,435 | 4,014 | 93,158 | 341,240 | 79,637 | 172,391 | 11,002,181 | 31,570,671 | 2,000,090 | 33,570,761 |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | - | 3,348,717 | 3,348,717 | 309,124 | 3,657,841 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | (23,129) | - | - | (23,129) | (22,221) | (45,350) |
| Remeasurement of defined benefit plan payable | - | - | - | - | - | - | - | - | - | - | - | (30,230) | (30,230) | - | (30,230) |
| Currency translation differences | - | - | - | - | - | - | - | - | - | - | 152,383 | - | 152,383 | 8,466 | 160,849 |
| Net gain on cash flow hedges | - | - | - | - | - | - | - | - | 11,441 | - | - | - | 11,441 | 18,670 | 30,111 |
| Hedging loss reclassified to profit or loss | - | - | - | - | - | - | - | - | (43,009) | - | - | - | (43,009) | (34,754) | (77,763) |
| Share of other comprehensive profit of associates | - | - | - | - | - | - | - | - | 36,987 | (476) | 4,504 | - | 41,015 | 11,447 | 52,462 |
| Share of other comprehensive profit of joint ventures | - | - | - | - | - | - | - | - | 72,822 | - | 16,488 | - | 89,310 | - | 89,310 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 78,241 | (23,605) | 173,375 | 3,318,487 | 3,546,498 | 290,732 | 3,837,230 |
| Acquisition of equity interests from non-controlling shareholders | - | (263) | - | - | - | - | - | - | - | - | - | - | (263) | - | (263) |
| Accrual of safety fund reserve | - | - | - | - | - | - | 163,623 | - | - | - | - | (170,834) | (7,211) | 7,211 | - |
| Utilisation of safety fund reserve | - | - | - | - | - | - | (165,641) | - | - | - | - | 172,701 | 7,060 | (7,060) | - |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (265,067) | (265,067) |
| Dividends paid to shareholders of the Company | - | - | - | - | - | - | - | - | - | - | - | (715,616) | (715,616) | - | (715,616) |
| Fair value of share options granted | - | - | - | (9,635) | - | - | - | - | - | - | - | - | (9,635) | - | (9,635) |
| Contribution from non-controlling interests of the subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 685,913 | 685,913 |
| At 31 December 2023 | 4,770,776 | 12,143,104 | 273,418 | 89,446 | (286,027) | 2,877,435 | 1,996 | 93,158 | 419,481 | 56,032 | 345,766 | 13,606,919 | 34,391,504 | 2,711,819 | 37,103,323 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Note | For the year ended 31 December | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **RMB'000** | RMB'000 |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | 38 | **8,662,352** | 4,129,839 |
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **226,619** | 81,140 |
| Payments for construction in progress | | **(5,640,124)** | (4,434,506) |
| Purchases of property, plant and equipment | | **(1,676)** | (15,224) |
| Investments in associates | | **(332,084)** | (1,473,458) |
| Investments in joint ventures | | **(513,804)** | (333,031) |
| Proceeds from disposal of property, plant and equipment | | **885,165** | 362,107 |
| Collection of loan receivables from associates | | **19,277** | 29,790 |
| Collection of Loan receivables from joint ventures | | **62,801** | – |
| Dividends received from associates | | **222,838** | 208,881 |
| Dividends received from joint ventures | | **449,082** | 401,987 |
| Dividends received from financial assets at fair value through other comprehensive income | | **17,730** | 15,809 |
| Increase in pledged bank deposits | | **(3)** | (11) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(4,604,179)** | (5,156,516) |

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **FINANCING ACTIVITIES** | | |
| Interest paid | **(1,486,694)** | (854,432) |
| Proceeds from derivative financial instruments | **77,763** | 304 |
| Dividends paid to the Company's shareholders | **(715,616)** | – |
| Dividends paid to non-controlling interests of subsidiaries | **(164,904)** | (181,531) |
| Repayment of other loans | **(49,266)** | (94,867) |
| Increase in interest-bearing bank and other borrowings | **11,195,949** | 14,977,971 |
| Repayment of interest-bearing bank and other borrowings | **(11,734,706)** | (9,600,923) |
| Repayment of principle of bonds | **–** | (2,500,000) |
| Contribution from non-controlling interests of the subsidiary | **585,750** | 132,509 |
| Issue of A shares in connection with the exercise of share options | **–** | 46,405 |
| Principal elements of lease payments | **(432,745)** | (354,435) |
| Borrowings acquisition cost | **(1,174)** | (7,101) |
| **NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES** | **(2,725,643)** | 1,563,900 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **1,332,530** | 537,223 |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | **4,238,365** | 3,522,615 |
| Effect of foreign exchange rate changes, net | **52,021** | 178,527 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | **5,622,916** | 4,238,365 |

## 1. CORPORATE INFORMATION

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

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

(a) investment holding; and/or

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

(c) vessel chartering; and/or

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

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

The A-Shares and H-Shares of the Company are listed on the Main Board of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (the "**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 28 March 2024.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### 2.1 Basis of preparation

*(i) Compliance with HKFRS and HKCO*

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

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

*(ii) 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.

*(iii) New and amended standards adopted by the Group*

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments listed above did not have significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

*(iv) New and amended standards and interpretations not yet adopted*

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| 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 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 HKAS 21 | Lack of Exchangeability | 1 January 2025 |
| Amendments to HKAS 7 and HKFRS 7 | Supplier finance arrangements | 1 January 2024 |
| Amendments to HKFRS 16 | Lease liability in a sale and leaseback | 1 January 2024 |

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

### 2.2 Changes in accounting policies

*(a) Change in accounting policy on Amendments to HKAS 12 by the Group*

The Group has changed its accounting policy having regard to the amendments to HKAS 12. In applying the requirements in HKAS 12, the Group recognised deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, typically to the lease transactions as a lessee.

This change in accounting policy has been applied retrospectively by restating the balances as at 31 December 2022 and the results for the year then ended as summarised below:

| | As previously reported<br>RMB'000 | Effect of change in accounting policy<br>RMB'000 | As restated<br>RMB'000 |
|---|---|---|---|
| **For the year ended 31 December 2022** | | | |
| Income tax expense | (964,255) | (500) | (964,755) |
| **Profit for the period attributable to:** | | | |
| Equity holders of the Company | 1,461,118 | (256) | 1,460,862 |
| Non-controlling interests | 327,474 | (244) | 327,230 |
| **Profit for the period** | 1,788,592 | (500) | 1,788,092 |
| **Total comprehensive income for the period attributable to:** | | | |
| Equity holders of the Company | 2,934,742 | (256) | 2,934,486 |
| Non-controlling interests | 710,893 | (244) | 710,649 |
| | 3,645,635 | (500) | 3,645,135 |

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

### 2.2 Changes in accounting policies (Continued)

*(a) Change in accounting policy on Amendments to HKAS 12 by the Group* (Continued)

| | As previously reported RMB'000 | Effect of change in accounting policy RMB'000 | As restated RMB'000 |
|---|---|---|---|
| **As at 31 December 2022** | | | |
| **NON-CURRENT ASSETS** | | | |
| Deferred tax assets | 38,274 | 371 | 38,645 |
| **TOTAL ASSETS** | 68,250,082 | 371 | 68,250,453 |
| **EQUITY** | | | |
| Equity attributable to equity holders of the Company | | | |
| Reserves | 26,799,707 | 188 | 26,799,895 |
| Non-controlling interests | 1,999,907 | 183 | 2,000,090 |
| **TOTAL EQUITY** | 33,570,390 | 371 | 33,570,761 |
| **As at 1 January 2022** | | | |
| **NON-CURRENT ASSETS** | | | |
| Deferred tax assets | 40,387 | 871 | 41,258 |
| **TOTAL ASSETS** | 59,388,937 | 871 | 59,389,808 |
| **EQUITY** | | | |
| Equity attributable to equity holders of the Company | | | |
| Reserves | 23,828,354 | 444 | 23,828,798 |
| Non-controlling interests | 1,331,237 | 427 | 1,331,664 |
| **TOTAL EQUITY** | 29,922,283 | 871 | 29,923,154 |

## 3. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments include cash and bank, derivative financial instruments and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, contract assets and trade and bills payables, which arise directly from its operations.

The Group also enters into interest rate swap transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Management regularly manages the financial risks of the Group. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units.

### (a) Market risk

#### *(i) Foreign currency risk*

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 2023, 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 RMB52,347,000 higher/lower (31 December 2022: RMB6,953,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and bank, receivables, payables and borrowings.

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Market risk (Continued)

#### *(ii) Interest rate risk*

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 2023 and 31 December 2022.

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 2023, 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 profit before tax for the year would have been RMB149,280,000 lower/higher (31 December 2022: RMB156,395,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

Instruments used by the Group

Swaps currently in place cover approximately 20% (31 December 2022: 22%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 4.45% and 6.40% (31 December 2022: 3.05% and 6.40%) and the variable rates of the loans are between 1.66% and 2.45% above Secured Overnight Financing Rate ("**SOFR**") which at the end of the reporting period was 5.38% (31 December 2022: between 1.40% and 2.20% above 3-month London Inter-bank offered Rate ("**LIBOR**") which at the end of the reporting period was 4.74%).

The Group has completed the transition from LIBOR to SOFR regarding previous borrowing arrangements and swaps due to interest rate benchmark reform. There was no contract that has not been transited at 31 December 2023.

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates of swap contract amount of USD585,414,000 (equivalent to approximately RMB4,146,312,000) coincide with the dates on which interest is payable on the underlying debt. The settlement dates of swap contract amount of USD248,129,000 (equivalent to approximately RMB1,757,423,000) are incoincident with the dates on which interest is payable on the underlying debt.

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Market risk (Continued)

#### (ii) *Interest rate risk* (Continued)

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| *Interest rate swaps* | | |
| Carrying amount | **82,657** | 116,525 |
| Principal amount | **4,984,351** | 5,113,632 |
| Maturity year | **2031-2035** | 2031-2035 |
| Hedge ratio | **1:1** | 1:1 |
| Change in fair value of outstanding hedging instruments since 1 January | **(35,672)** | 699,391 |
| Change in value of hedged item used to determine hedge ineffectiveness | **47,652** | (699,391) |
| Weighted average hedged rate for the year | **4.47%** | 5.90% |

#### (iii) *Price risk*

As at 31 December 2023, the Group's financial assets at FVOCI amounted to RMB291,794,000 (31 December 2022: RMB387,090,000) as disclosed in Note 23 to the consolidated financial statements are measured at fair value at the end of each reporting period. The Group closely monitors the pricing trends in the open market in determining their long-term strategic stockholding decisions.

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade and bills receivables, contract assets, deposits and other receivables, loan receivables, financial guarantees, pledged bank deposits and cash and bank. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group has put in place policies to ensure that provision of shipping services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. The Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss from trade debtors and for uncollected advances to those entities that have not been provided for other than impairment of trade receivables and contract assets and impairment of other receivables as set out in Note 26 to the consolidated financial statements.

As at 31 December 2023, trade and bills receivables due from the top five debtors amounted to RMB200,723,000 (31 December 2022: RMB227,022,000), representing 34% (31 December 2022: 42%) of the total trade and bills receivables.

The Group has provided guarantees relating to the bank borrowings in respect of certain joint ventures in their ordinary course of business. The Group controls its credit risk to non-performance by its counterparties through monitoring the credit rating of these counterparties. As at 31 December 2023, the Directors are of the opinion that the credit risk is minimal as the associates and joint ventures have good credit standing.

As at 31 December 2023 and 31 December 2022, the Group maintains most of its bank deposits in several major government-related financial institutions in the PRC and several non-bank financial institutions which are related parties of the Group. In view of strong state support provided to those government-related financial institutions, the Directors are of the opinion that there is no significant credit risk on such assets being exposed.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows, except that the amount for derivative financial instruments is the fair value.

| | Within 1 year RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **At 31 December 2023** | | | | |
| Trade and bills payables | **1,707,876** | **–** | **–** | **1,707,876** |
| Financial liabilities included in other payables and accruals | **1,421,214** | **–** | **–** | **1,421,214** |
| Interest payable in relation to borrowings and bonds | **112,679** | **–** | **–** | **112,679** |
| Derivative financial instruments | **–** | **–** | **9,426** | **9,426** |
| Lease liabilities* | **431,318** | **372,593** | **402,597** | **1,206,508** |
| Interest-bearing bank and other borrowings | **5,852,179** | **4,650,615** | **24,041,520** | **34,544,314** |
| Other loans | **104,413** | **104,440** | **1,028,830** | **1,237,683** |
| Financial guarantee | **–** | **–** | **2,002,549** | **2,002,549** |
| | **9,629,679** | **5,127,648** | **27,484,922** | **42,242,249** |
| **At 31 December 2022** | | | | |
| Trade and bills payables | 1,939,321 | – | – | 1,939,321 |
| Financial liabilities included in other payables and accruals | 1,000,003 | – | – | 1,000,003 |
| Interest payable in relation to borrowings and bonds | 120,314 | – | – | 120,314 |
| Lease liabilities* | 423,350 | 419,702 | 743,059 | 1,586,111 |
| Interest-bearing bank and other borrowings | 7,879,741 | 3,175,216 | 21,815,197 | 32,870,154 |
| Other loans | 102,882 | 102,737 | 1,079,381 | 1,285,000 |
| Financial guarantee | – | – | 2,152,363 | 2,152,363 |
| | 11,465,611 | 3,697,655 | 25,790,000 | 40,953,266 |

* The amounts disclosed for the lease liabilities include cash flows relating to extension options if they have been included in the lease term, and therefore the measurement of the lease liability as disclosed in Note 45.20.

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Fair value measurement

#### *(i) Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

| | |
|---|---|
| Level 1 valuations: | Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. |
| Level 2 valuations: | Fair value measured using Level 2, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available. |
| Level 3 valuations: | Fair value measured using significant unobservable inputs. |

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Fair value measurement (Continued)

#### *(i) Financial assets and liabilities measured at fair value* (Continued)

Fair value hierarchy (Continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **At 31 December 2023** | | | | |
| Financial assets: | | | | |
| Derivative financial instruments | **–** | **92,083** | **–** | **92,083** |
| Financial assets at FVOCI | **291,794** | **–** | **–** | **291,794** |
| Financial liabilities: | | | | |
| Derivative financial instruments | **–** | **9,426** | **–** | **9,426** |
| **At 31 December 2022** | | | | |
| Financial assets: | | | | |
| Derivative financial instruments | – | 116,525 | – | 116,525 |
| Financial assets at FVOCI | 387,090 | – | – | 387,090 |
| Financial liabilities: | | | | |
| Derivative financial instruments | – | – | – | – |

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Fair value measurement (Continued)

*(i) Financial assets and liabilities measured at fair value* (Continued)

Fair value hierarchy (Continued)

During the years ended 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the listed equity investments are based on the current bid price.

The fair values of interest rate swap agreements as derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

*(ii) Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2023 and 31 December 2022.

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group's net debt-to-equity ratio as at 31 December 2023 and 31 December 2022 is as follows:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated) |
|---|---|---|
| **Total debts** | **29,720,403** | 30,215,794 |
| Less: cash and bank | **(5,627,218)** | (4,239,339) |
| Net debt | **24,093,185** | 25,976,455 |
| Total equity | **37,103,323** | 33,570,761 |
| Net debt-to-equity ratio | **65%** | 77% |

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### 4.1 Impairment of vessels

The Group's major operating assets represent vessels in property, plants and equipment and right-of-use assets. Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable. If there is any indication of impairment of an asset, its recoverable amount shall be estimated.

The recoverable amount shall be determined based on the higher of the net fair value of the asset after deducting disposal costs ("**FVLCD**") and the present value of the expected future cash flow ("**VIU**") of the asset. In case that the recoverable amount of the asset group is lower than the book value, the amount representing the difference between the recoverable amount of the asset group and the book value is recognised as asset impairment.

Determination of recoverable amounts of vessels, which is higher of FVLCD and VIU, involves significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("**TCE**") rates, cost inflation rates and discount rates applied to the future cash flows forecasts which have been prepared according to the asset grouped at the lowest level (cash-generating units).

### 4.2 Freight revenue for vessel voyages in progress at year end

The Group recognises freight revenue on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, port loading and discharging information.

### 4.3 Impairment of investments in joint ventures

The Group determines whether investments in joint ventures have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group defines the recoverable amounts as the higher of an asset's cash-generating unit's fair value less costs of disposal and its value in use. The determination of impairment indication requires significant judgment, and the calculations require the use of estimates which are subject to change of economic environment in future.

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.4 Estimated useful lives and residual values of vessels

The Group's major operating assets represent vessels. Management determines the estimated useful lives, residual values and related depreciation expenses for vessels. Management estimates useful lives of vessels by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its vessels by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of vessels are different from the previous estimate.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2023 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased by RMB313,503,000 (for the year ended 31 December 2022: RMB324,685,000) or increased by RMB383,170,000 (for the year ended 31 December 2022: RMB396,838,000) for the year ended 31 December 2023.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2023 with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by RMB41,806,000 (for the year ended 31 December 2022: RMB31,849,000) for the year ended 31 December 2023.

### 4.5 Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the year in which such determination is made.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (see Note 24).

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.6 Provision for impairment losses on trade and other receivables, contract assets, loan receivables and financial guarantee

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12 month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

The Group applies the HKFRS 9 to measure expected credit losses for financial guarantee. For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the guarantor for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor.

As at 31 December 2023, allowance for trade and other receivables, contract assets and loan receivables amounted to RMB251,302,000 (31 December 2022: RMB24,899,000).

## 5. 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 transportation**

- oil shipment
- vessel chartering

**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.

## 5. REVENUES AND SEGMENT INFORMATION (Continued)

**Business segments**

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

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **Revenues RMB'000** | **Contribution RMB'000** | Revenues RMB'000 | Contribution RMB'000 |
| By principal activity: | | | | |
| Oil transportation | | | | |
| – Oil shipment | **17,780,411** | **4,711,714** | 15,745,050 | 2,466,067 |
| – Vessel chartering | **2,311,164** | **924,245** | 1,502,933 | 286,734 |
| | **20,091,575** | **5,635,959** | 17,247,983 | 2,752,801 |
| LNG | **1,820,881** | **859,131** | 1,318,812 | 655,998 |
| | **21,912,456** | **6,495,090** | 18,566,795 | 3,408,799 |
| Other income and other gains, net | | **882,674** | | 347,844 |
| Marketing expenses | | **(76,996)** | | (57,273) |
| Administrative expenses | | **(975,955)** | | (947,749) |
| Provision for impairment losses on financial and contract assets | | **(225,295)** | | (4,402) |
| Other expenses | | **(109,308)** | | (43,125) |
| Share of profits of associates | | **457,602** | | 317,497 |
| Share of profits of joint ventures | | **730,288** | | 725,255 |
| Impairment losses on investment in joint ventures | | **(984,111)** | | – |
| Finance costs | | **(1,453,793)** | | (993,999) |
| Profit before tax | | **4,740,196** | | 2,752,847 |

## 5. 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, impairment losses on investment in joint ventures, other income and other gains, net 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 2023 and 2022, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated) |
|---|---|---|
| Total segment assets | | |
| Oil transportation | **45,222,488** | 46,243,698 |
| LNG | **24,166,954** | 19,458,471 |
| Others | **2,694,170** | 2,548,284 |
| | **72,083,612** | 68,250,453 |
| Total segment liabilities | | |
| Oil transportation | **21,842,913** | 24,162,945 |
| LNG | **13,130,904** | 10,505,909 |
| Others | **6,472** | 10,838 |
| | **34,980,289** | 34,679,692 |

As at 31 December 2023, the total net carrying amount of the Group's oil tankers and LNG vessels were RMB32,149,153,000 (31 December 2022: RMB33,683,815,000) and RMB13,375,820,000 (31 December 2022: RMB10,901,939,000) respectively.

## 5. REVENUES AND SEGMENT INFORMATION (Continued)

**Geographical segments**

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **Revenues** | **Contribution** | Revenues | Contribution |
| | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 |
| By geographical area: | | | | |
| Domestic | **6,167,740** | **1,488,544** | 5,892,937 | 1,292,503 |
| International | **15,744,716** | **5,006,546** | 12,673,858 | 2,116,296 |
| | **21,912,456** | **6,495,090** | 18,566,795 | 3,408,799 |

**Other information**

| | **Oil transportation RMB'000** | **LNG RMB'000** | **Others RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| **Year ended 31 December 2023** | | | | |
| Additions to non-current assets | **1,220,020** | **4,594,210** | **–** | **5,814,230** |
| Depreciation and amortisation | **2,712,195** | **440,370** | **5,448** | **3,158,013** |
| Gains on disposal of property, plant and equipment, net | **402,975** | **–** | **–** | **402,975** |
| Interest income | **175,225** | **31,679** | **150** | **207,054** |
| 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 |

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 2023 and 2022.

## 5. REVENUES AND SEGMENT INFORMATION (Continued)

**Accounting policies of revenue recognition**

*Revenue from contracts with customers*

Revenue are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point of time.

When control of goods or services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

(i) direct measurements of the value of individual services transferred by the Group to the customer, such as units produced or delivered, contract milestones, or surveys of work performed; or

(ii) the Group's efforts or inputs to the satisfaction of the performance obligation.

## 6. OTHER INCOME AND OTHER GAINS, NET

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Other income | | |
| Government subsidies (Note) | **92,005** | 148,932 |
| Interest income from loan receivables | **86,741** | 53,108 |
| Bank interest income | **120,313** | 28,032 |
| Dividends received from financial assets at FVOCI | **17,730** | 15,809 |
| Rental income from investment properties | **265** | 298 |
| Others | **60,039** | (10,636) |
| | **377,093** | 235,543 |
| Other gains, net | | |
| Exchange gains, net | **90,502** | 38,356 |
| Gains on disposal of property, plant and equipment, net | **402,975** | 73,945 |
| Others | **12,104** | – |
| | **505,581** | 112,301 |
| | **882,674** | 347,844 |

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.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## 7. FINANCE COSTS

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Total finance costs** | | |
| Interest expenses on: | | |
| – bank loans and other loans and borrowings | **1,476,126** | 829,390 |
| – corporate bonds | **–** | 88,286 |
| – interest rate swaps: cash flow hedges, reclassified from other comprehensive income | **(77,763)** | 80,219 |
| – lease liabilities | **53,664** | 65,702 |
| – exchange losses/(gains), net | **35,206** | (50,244) |
| | **1,487,233** | 1,013,353 |
| Less: interest capitalised | **(33,440)** | (19,354) |
| | **1,453,793** | 993,999 |

During the year, the capitalisation rates applied to funds borrowed and utilised for the vessels under construction were at rates of 3.00% to 7.03% (2022: 2.41% to 3.00%) per annum.

## 8. EXPENSES BY NATURE

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Bunker oil inventories consumed | **5,033,660** | 5,573,264 |
| Staff costs (a) | **3,598,695** | 3,763,219 |
| Depreciation of property, plant and equipment | **2,935,082** | 2,600,011 |
| Amortisation of right-of-use assets | **222,931** | 211,073 |
| Vessel operating lease rentals | **1,894,639** | 1,605,450 |
| Port fees | **857,112** | 953,958 |
| Repairs | **683,095** | 497,340 |
| Auditors' remuneration | | |
| – Audit services | **6,600** | 6,600 |
| – Non-audit services | **1,752** | 1,573 |
| Other expenses | **1,236,751** | 950,530 |
| Total operating costs, marketing expenses and administrative expenses | **16,470,317** | 16,163,018 |

(a)

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Staff costs | | |
| Wages, salaries, crew expenses and related expenses (including bonus and share-based payments) | **3,549,304** | 3,709,993 |
| Costs for defined benefit plan (Note 34) | **7,898** | 12,665 |
| Pension scheme contributions | **41,493** | 40,561 |
| | **3,598,695** | 3,763,219 |

## 9. IMPAIRMENT LOSSES ON INVESTMENT IN JOINT VENTURES

In 2023, certain joint ventures' operation environment incurred significant changes which has a significant impact on the estimated future returns from the net investment. Accordingly, the Group performed impairment test for these investment in joint ventures, and estimated its share of the present value of the estimated future cash flows expected to be generated by the joint ventures, and the present value of the estimated future cash flows expected to arise from dividends to be received from the investments and from its ultimate disposal. Based on the impairment testing result, the Group recorded impairment loss on investment in joint ventures amounting to RMB984,111,000 in 2023.

## 10. INCOME TAX EXPENSE

### (a) Income tax in the consolidated statement of profit or loss and other comprehensive income

| | Note | 2023 RMB'000 | 2022 RMB'000 (Restated) |
|---|---|---|---|
| | | **For the year ended 31 December** | |
| Current income tax | | | |
| PRC | | | |
| – provision for the year | (i) | **777,116** | 280,269 |
| – adjustments for current tax of prior periods | | **(72,181)** | (177) |
| Hong Kong | | | |
| – provision for the year | | **1,162** | 1,062 |
| Other districts | | | |
| – provision for the year | (ii) | **1,204** | 2,023 |
| | | **707,301** | 283,177 |
| Deferred income tax | | | |
| (Increase)/decrease in deferred tax assets (Note 24) | | **(1,674)** | 2,613 |
| Increase in deferred tax liabilities (Note 24) | | **376,728** | 678,965 |
| | | **375,054** | 681,578 |
| Total income tax expense | | **1,082,355** | 964,755 |

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 2022: 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.

## 10. INCOME TAX EXPENSE (Continued)

**(b) The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:**

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Profit before tax | **4,740,196** | 2,752,847 |
| Calculated at a tax rate of 25% (for the year ended 31 December 2022: 25%) | **1,185,049** | 688,212 |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | **(46,159)** | (53,065) |
| Adjustments for current tax of prior periods | **(72,181)** | (177) |
| Tax effect of share of profits of associates | **(108,509)** | (77,553) |
| Tax effect of share of profits of joint ventures | **(182,572)** | (181,314) |
| Tax effect of income not subject to tax | **(388,867)** | (138,825) |
| Tax effect of expenses not deductible for tax | **2,577** | 19,373 |
| Tax effect of temporary differences not recognised | **199,875** | (15) |
| Tax effect of utilisation of tax losses previously not recognised | **(22)** | (85,977) |
| Tax effect of different tax rate of dividends received from joint ventures | **112,270** | 152,500 |
| Tax effect of unremitted earnings | **380,894** | 641,596 |
| Income tax expense | **1,082,355** | 964,755 |

*Accounting for research and development tax credit*

Companies within the Group are entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure under the Research and Development Tax Incentive regime in China. The Group accounts for these allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

When the Pillar Two legislation comes into effect, the Group expects to be subject to a new top-up tax for the difference between the Global Anti-Base Erosion Proposal ("**GloBE**") effective tax rate for each jurisdiction and the 15% minimum rate. Due to the complexities in applying the Pillar Two legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimate. Therefore, even for those group companies with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The Group is in the process of working together with the holding company to assess its exposure to the Pillar Two legislation for when it comes into effect.

## 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of directors, supervisors and senior management are disclosed as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Independent non-executive directors (a) | | |
| – fees | **814** | 1,045 |
| Executive and non-executive directors (excluded independent non-executive directors) (b) | | |
| – salaries, allowances and benefits in kind | **1,421** | 1,377 |
| – discretionary bonus | **2,896** | 4,673 |
| – pension scheme contributions | **136** | 126 |
| – share-based payment expenses | **–** | 39 |
| | **4,453** | 6,215 |
| Supervisors (b) | | |
| – salaries, allowances and benefits in kind | **4,091** | 2,232 |
| – discretionary bonus | **1,172** | 1,865 |
| – pension scheme contributions | **267** | 126 |
| | **5,530** | 4,223 |
| Senior management | | |
| – salaries, allowances and benefits in kind | **3,937** | 5,633 |
| – discretionary bonus | **6,287** | 10,951 |
| – pension scheme contributions | **434** | 463 |
| – share-based payment expenses | **–** | 256 |
| | **10,658** | 17,303 |
| Total | **21,455** | 28,786 |

## 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Certain senior management are also executive directors and supervisors. The amounts disclosed above represented emoluments paid or receivable in respect of the executive directors and supervisors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

For the year ended 31 December 2023, no share options of directors, supervisors and senior management were exercised.

**(a) Details of the fees paid to each of the independent non-executive directors during the year were as follows:**

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Mr. Teo Siong Seng | **–** | 177 |
| Mr. Victor Huang | **317** | 331 |
| Mr. Li Runsheng | **165** | 177 |
| Mr. Zhao Jinsong | **167** | 179 |
| Mr. Wang Zuwen | **165** | 181 |
| | **814** | 1,045 |

There were no other emoluments payable to the independent non-executive directors during the year (for the year ended 31 December 2022: Nil).

## 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows:

| | Fees | Salaries allowance and benefits in kind | Discretionary bonus | Pension scheme contributions | Share-based payments | Total remuneration |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Year ended 31 December 2023** | | | | | | |
| **Executive directors** | | | | | | |
| Mr. Ren Yongqiang | – | 728 | 1,477 | 68 | – | 2,273 |
| Mr. Zhu Maijin | – | 693 | 1,419 | 68 | – | 2,180 |
| | – | 1,421 | 2,896 | 136 | – | 4,453 |
| **Non executive directors** | | | | | | |
| Mr. Wang Wei | – | – | – | – | – | – |
| Ms. Wang Songwen | – | – | – | – | – | – |
| | – | – | – | – | – | – |
| **Supervisors** | | | | | | |
| Mr. Yang Lei | – | – | – | – | – | – |
| Mr. Weng Yi | – | – | – | – | – | – |
| Mr. Xu Yifei | – | 1,366 | 420 | 68 | – | 1,854 |
| Mr. Zeng Xiangfeng | – | 1,080 | 391 | 68 | – | 1,539 |
| Mrs. Chen Hua (i) | – | 932 | 108 | 68 | – | 1,108 |
| Mr. Wang Zhenming (ii) | – | 713 | 253 | 63 | – | 1,029 |
| | – | 4,091 | 1,172 | 267 | – | 5,530 |

Note:

(i) Appointed on 4 September 2023

(ii) Appointed on 4 September 2023

## 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(b) **Details of the remuneration paid to each of the executive, non-executive directors (excluded independent non-executive directors) and supervisors during the year were as follows:** (Continued)

| | Fees RMB'000 | Salaries allowance and benefits in kind RMB'000 | Discretionary bonus RMB'000 | Pension scheme contributions RMB'000 | Share-based payments RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| Executive directors | | | | | | |
| Mr. Ren Yongqiang | – | 695 | 2,405 | 63 | – | 3,163 |
| Mr. Zhu Maijin | – | 682 | 2,268 | 63 | 39 | 3,052 |
| | – | 1,377 | 4,673 | 126 | 39 | 6,215 |
| **Non executive directors** | | | | | | |
| Mr. Zhang Qinghai (i) | – | – | – | – | – | – |
| Mr. Liu Zhusheng (ii) | – | – | – | – | – | – |
| Mr. Wang Wei (iii) | – | – | – | – | – | – |
| Ms. Wang Songwen (iv) | – | – | – | – | – | – |
| | – | – | – | – | – | – |
| **Supervisors** | | | | | | |
| Mr. Yang Lei | – | – | – | – | – | – |
| Mr. Weng Yi | – | – | – | – | – | – |
| Mr. Xu Yifei | – | 1,271 | 946 | 63 | – | 2,280 |
| Mr. Zeng Xiangfeng | – | 961 | 919 | 63 | – | 1,943 |
| | – | 2,232 | 1,865 | 126 | – | 4,223 |

Note:

(i) Resigned on 8 July 2022.

(ii) Resigned on 8 July 2022.

(iii) Appointed on 12 August 2022.

(iv) Appointed on 15 December 2022.

There were no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

## 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

### (c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: Nil).

### (d) Directors' termination payments or benefits

No payment was made or benefit provided to directors as compensation for the early termination of the appointment or in respect of termination of the services of directors during the year (2022: Nil).

### (e) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by any third party for making available the services of a person as a director of a company, or in any other capacity while as a director (2022: Nil).

### (f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the year (2022: Nil).

### (g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

## 12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (for the year ended 31 December 2022: two) directors and one (for the year ended 31 December 2022: zero) supervisors, details of whose emoluments are set out in Note 11 to the consolidated financial statements. Details of the emoluments of the remaining two (for the year ended 31 December 2022: three) highest paid non-director and non-supervisor individuals for the year were as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Salaries, allowances and benefits in kind | **1,130** | 1,672 |
| Discretionary bonus | **2,222** | 5,327 |
| Pension scheme contributions | **136** | 189 |
| Share-based payment expenses | **–** | 119 |
| | **3,488** | 7,307 |

The emoluments of the two (for the year ended 31 December 2022: three) highest paid non-director and non-supervisor individuals fell within the following bands:

| | Number of individuals For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| RMB1,351,000 to RMB1,801,000 (2022: RMB1,289,000 to RMB1,719,000) (equivalent to HKD1,500,000 to HKD2,000,000) | **2** | – |
| RMB1,801,000 to RMB2,251,000 (2022: RMB1,719,000 to RMB2,148,000) (equivalent to HKD2,000,000 to HKD2,500,000) | **–** | – |
| RMB2,251,000 to RMB2,701,000 (2022: RMB2,148,000 to RMB2,578,000) (equivalent to HKD2,500,000 to HKD3,000,000) | **–** | 3 |

During the year, no remuneration were paid by the Group to any of the Directors, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (for the year ended 31 December 2022: Nil).

## 13. DIVIDENDS

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Final dividend for 2022 – RMB0.15 (31 December 2022: Final dividend for 2021 – RMB Nil) per share | **715,616** | – |

At the Board meeting held on 28 March 2024, the Board proposed a final dividend of RMB1,669,772,000 representing RMB0.35 per share, in respect of the profits for the year ended 31 December 2023. This proposed final dividend is subject to the approval of the Company's shareholders meeting at the forthcoming annual general meeting, and accordingly has not been recognised as a liability at the end of the year.

## 14. EARNINGS PER SHARE

### (a) Basic

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Profit attributable to equity holders of the Company (RMB'000) | **3,348,717** | 1,460,862 |
| Weighted average number of ordinary shares in issue (thousand) | **4,770,776** | 4,767,408 |
| Basic earnings per share (RMB cents/share) | **70.19** | 30.64 |

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.

## 14. EARNINGS PER SHARE (Continued)

### (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 | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Profit attributable to equity holders of the Company (RMB'000) | **3,348,717** | 1,460,862 |
| Weighted average number of ordinary shares in issue (thousand) | **4,770,776** | 4,767,408 |
| Adjustments for share options (thousand) | **–** | 6,722 |
| Weighted average number of ordinary shares for diluted earnings per share (thousand) | **4,770,776** | 4,774,130 |
| Diluted earnings per share (RMB cents/share) (Note) | **70.19** | 30.60 |

Note:

For the year ended 31 December 2023, the equity incentive plan does not meet the exercise conditions. The Company cancelled all share options granted but not exercised.

## 15. INVESTMENT PROPERTIES

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

As at 31 December 2023 and 31 December 2022, the Group's properties are leased to other parties under operating leases to earn rental income and are measured using the fair value model. As a result, these properties are classified and accounted for as investment properties. Movements of the investment properties during the year are set out below:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **2,259** | 10,387 |
| Transfer to property, plant and equipment | **–** | (8,128) |
| At the end of the year | **2,259** | 2,259 |

The Group's investment properties comprise certain commercial buildings located in the PRC, held under medium term lease. As at 31 December 2023 and 31 December 2022, the fair value of their investment properties is based on level 2 fair value hierarchy.

The fair value of these investment properties was determined based on the present value of the excepted cash flow and expected return. In estimating the fair value of these investment properties, the highest and best use of these investment properties is their current use.

The Group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements RMB'000 | Vessels RMB'000 | Machinery and equipment RMB'000 | Motor vehicles RMB'000 | Buildings RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2023** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2023 | 43,686 | 73,933,640 | 65,736 | 20,002 | 1,467,525 | 1,369,714 | 76,900,303 |
| Additions | 1,775 | – | 2,731 | – | – | 5,787,016 | 5,791,522 |
| Transfer in/(out) | – | 3,822,790 | 823 | – | – | (3,823,613) | – |
| Disposals | – | (992,877) | (13,442) | (6,872) | – | – | (1,013,191) |
| Currency translation differences | 45 | 632,973 | 85 | 11 | – | 26,484 | 659,598 |
| At 31 December 2023 | 45,506 | 77,396,526 | 55,933 | 13,141 | 1,467,525 | 3,359,601 | 82,338,232 |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 January 2023 | 38,835 | 29,347,886 | 35,005 | 17,371 | 282,073 | – | 29,721,170 |
| Charge for the year | 3,602 | 2,872,037 | 11,706 | 581 | 47,156 | – | 2,935,082 |
| Disposals | – | (548,207) | (13,420) | (6,839) | – | – | (568,466) |
| Currency translation differences | 17 | 199,837 | 57 | 10 | – | – | 199,921 |
| At 31 December 2023 | 42,454 | 31,871,553 | 33,348 | 11,123 | 329,229 | – | 32,287,707 |
| **Net book amount** | | | | | | | |
| At 31 December 2023 | 3,052 | 45,524,973 | 22,585 | 2,018 | 1,138,296 | 3,359,601 | 50,050,525 |
| At 31 December 2022 | 4,851 | 44,585,754 | 30,731 | 2,631 | 1,185,452 | 1,369,714 | 47,179,133 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold improvements RMB'000 | Vessels RMB'000 | Machinery and equipment RMB'000 | Motor vehicles RMB'000 | Buildings RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2022 | 41,518 | 67,168,712 | 46,057 | 19,949 | 1,459,397 | 1,082,949 | 69,818,582 |
| Additions | 2,539 | – | 4,557 | – | – | 4,450,448 | 4,457,544 |
| Transfer in/(out) | – | 4,234,834 | 16,206 | – | – | (4,251,040) | – |
| Transfer from investment properties | – | – | – | – | 8,128 | – | 8,128 |
| Disposals | (449) | (649,580) | (1,467) | – | – | – | (651,496) |
| Currency translation differences | 78 | 3,179,674 | 383 | 53 | – | 87,357 | 3,267,545 |
| At 31 December 2022 | 43,686 | 73,933,640 | 65,736 | 20,002 | 1,467,525 | 1,369,714 | 76,900,303 |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 January 2022 | 35,221 | 26,219,213 | 25,897 | 16,505 | 235,113 | – | 26,531,949 |
| Charge for the year | 3,918 | 2,538,053 | 10,265 | 815 | 46,960 | – | 2,600,011 |
| Disposals | (318) | (354,481) | (1,452) | – | – | – | (356,251) |
| Currency translation differences | 14 | 945,101 | 295 | 51 | – | – | 945,461 |
| At 31 December 2022 | 38,835 | 29,347,886 | 35,005 | 17,371 | 282,073 | – | 29,721,170 |
| **Net book amount** | | | | | | | |
| At 31 December 2022 | 4,851 | 44,585,754 | 30,731 | 2,631 | 1,185,452 | 1,369,714 | 47,179,133 |
| At 31 December 2021 | 6,297 | 40,949,499 | 20,160 | 3,444 | 1,224,284 | 1,082,949 | 43,286,633 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2023, the Group's certain vessels are leased to other parties under operating leases. Further details of the vessels under operating lease arrangements are as follows:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Cost | **25,352,684** | 24,092,250 |
| Accumulated depreciation | **(5,814,539)** | (5,594,918) |
| Net carrying amount | **19,538,145** | 18,497,332 |

Further details of the Group's operating lease arrangements as lessee are disclosed in Note 17 to the consolidated financial statements.

As at 31 December 2023, the Group's certain vessels and vessels under construction were pledged to secure general banking facilities granted to the Group (see Note 32).

During the year, interest expense capitalised in vessel costs were RMB33,440,000 (for the year ended 31 December 2022: RMB19,354,000).

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the remaining useful life or the lease term |
| Vessels | 22-30 years (Note) |
| Machinery and equipment | 3-5 years |
| Motor vehicles | 8 years |
| Buildings | 8-40 years |

Note: Used vessel acquired is depreciated over its estimated remaining useful life.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Vessels are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

See Note 45.5 for the other accounting policies relevant to property, plant and equipment.

## 17. LEASE

This Note provides information for leases where the Group is a lessee.

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Right-of-use assets | | |
| Vessels | **595,274** | 795,691 |
| Prepaid land lease payments | **29,731** | 31,028 |
| Properties | **25,934** | 7,303 |
| Vehicles | **453** | 725 |
| | **651,392** | 834,747 |
| Lease liabilities | | |
| Current | **392,902** | 370,554 |
| Non-current | **733,727** | 1,086,548 |
| | **1,126,629** | 1,457,102 |

Additions to the right-of-use assets during the 2023 financial year were RMB22,708,000 (for the year ended 31 December 2022: RMB3,969,000).

## 17. LEASE (Continued)

### (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Depreciation charge of right-of-use assets | | |
| Vessels | **217,493** | 210,068 |
| Properties | **3,868** | 3,246 |
| Prepaid land lease payments | **1,297** | 1,297 |
| Vehicles | **273** | 91 |
| | **222,931** | 214,702 |
| Interest expense (included in finance cost) | **53,664** | 65,702 |
| Expense relating to short-term leases (included in operating costs and administrative expenses) | **17,649** | 17,671 |

The total cash outflow for leases in 2023 was RMB486,409,000 (2022: RMB420,137,000).

See Note 45.20 for accounting policies relevant to leases.

## 18. GOODWILL

There were two cash generating units ("**CGU**") in the year related to oil shipment and vessel chartering services. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on a value in use calculation separately prepared for goodwill impairment assessment relating to Guangzhou Sanding Oil-Shipping Co., Ltd. of RMB58,168,000 (31 December 2022: RMB58,168,000) and COSCO PetroChina SHIPPING Co., Ltd. ("**COSCO PetroChina SHIPPING**") of RMB15,157,000 (31 December 2022: RMB15,157,000). That calculation uses cash flow projections based on the most recent financial budgets of 5 years approved by management, cash flows beyond the 5-year-on-year are extrapolated using nil growth rate, and a discount rate of 5.61%-5.79% (31 December 2022: 9.5%). The growth rate for the extrapolation year is based on management's best estimates with consideration of both internal and external factors relating to the CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these subsidiaries to exceed their recoverable amount.

## 19. INVESTMENTS IN ASSOCIATES

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Share of net assets | **4,176,845** | 3,557,534 |
| Goodwill | **835,105** | 835,105 |
| | **5,011,950** | 4,392,639 |

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 10% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

See Note 45.1 for the other accounting policies relevant to equity accounting.

## 19. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2023, the Group had investments in the following associates which are all unlisted corporate entities whose quoted market price is not available:

| Name | Place of incorporation and operations/legal status | Issued/ registered capital | Proportion of ownership interest held by the Group | | Proportion of voting power held by the Group | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2023** | 31 December 2022 | **31 December 2023** | 31 December 2022 | |
| Shanghai Beihai Shipping Company Limited ("**Shanghai Beihai**") | The PRC/ Limited liability company | RMB763,750,000 | **40%** | 40% | **40%** | 40% | Petroleum product transportation and vessel chartering |
| COSCO Shipping Finance Co., Ltd. ("**CS Finance**") | The PRC/ Limited liability company | RMB19,500,000,000 | **11%** | 11% | **11%** | 11% | Banking and related financial services |
| Aquarius LNG Shipping Limited ("**Aquarius LNG**") | Hong Kong/ Limited liability company | USD1,000 | **21%** | 21% | **30%** | 30% | LNG vessel chartering |
| Aries LNG Shipping Limited ("**Aries LNG**") | Hong Kong/ Limited liability company | USD1,000 | **27%** | 27% | **30%** | 30% | LNG vessel chartering |
| Capricorn LNG Shipping Limited ("**Capricorn LNG**") | Hong Kong/ Limited liability company | USD1,000 | **27%** | 27% | **30%** | 30% | LNG vessel chartering |
| Gemini LNG Shipping Limited ("**Gemini LNG**") | Hong Kong/Limited liability company | USD1,000 | **21%** | 21% | **30%** | 30% | LNG vessel chartering |
| TRADEGO PTE. LTD. ("**TRADEGO**") | Singapore/ Limited liability company | USD1,650,001 | **11%** | 11% | **10%** | 10% | Development of Other Software and Programming Activities N.E.C |
| Huaqiang LNG Transport Pte. Limited ("**Huaqiang LNG**") | Singapore/ Limited liability company | EUR50,000,000 | **25%** | – | **25%** | – | LNG vessel chartering |
| Huafu LNG Transport Pte. Limited ("**Huafu LNG**") | Singapore/ Limited liability company | EUR51,000,000 | **25%** | – | **25%** | – | LNG vessel chartering |
| Huawen LNG Transport Pte. Limited ("**Huawen LNG**") | Singapore/ Limited liability company | EUR17,600,000 | **25%** | – | **25%** | – | LNG vessel chartering |
| Huaming LNG Transport Pte. Limited ("**Huaming LNG**") | Singapore/ Limited liability company | EUR17,600,000 | **25%** | – | **25%** | – | LNG vessel chartering |
| Huahe LNG Transport Pte. Limited ("**Huahe LNG**") | Singapore/ Limited liability company | EUR17,600,000 | **25%** | – | **25%** | – | LNG vessel chartering |
| Huaping LNG Transport Pte. Limited ("**Huaping LNG**") | Singapore/ Limited liability company | EUR17,600,000 | **25%** | – | **25%** | – | LNG vessel chartering |

All of the above associates are accounted for using the equity method in the consolidated financial statements.

The Company has significant influence even though it holds less than 20 per cent of the voting rights of CS Finance and TRADEGO.

## 19. INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information of an associate that is material to the Group and reconciliation to the carrying amount of the Group's interest in the associate is disclosed as follows:

| | **Shanghai Beihai** | |
|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| Non-current assets | **2,707,747** | 2,331,129 |
| Current assets | **793,129** | 593,409 |
| Non-current liabilities | **(750,897)** | (293,207) |
| Current liabilities | **(198,539)** | (227,661) |
| Net assets | **2,551,440** | 2,403,670 |
| Proportion of the Group's ownership interest | **40%** | 40% |
| The Group's share of net assets | **1,020,576** | 961,468 |
| Goodwill | **835,105** | 835,105 |
| Carrying amount of the Group's interest in the associate | **1,855,681** | 1,796,573 |

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| **For the year ended 31 December** | | |
| Revenues | **2,185,020** | 1,966,091 |
| Profit for the year | **644,143** | 548,087 |
| Other comprehensive profit | **8,053** | 28,760 |
| Total comprehensive income for the year | **652,196** | 576,847 |
| Dividends received from the associate | **200,000** | 200,000 |

## 19. INVESTMENTS IN ASSOCIATES (Continued)

The aggregate information of the Group's associates that are not individually material to the Group is disclosed as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | **3,156,269** | 2,596,066 |
| **For the year ended 31 December** | | |
| Aggregate amounts of the Group's share of: | | |
| Profit for the year | **201,717** | 102,553 |
| Other comprehensive income | **49,240** | 52,908 |
| Total comprehensive income for the year | **250,957** | 155,461 |

## 20. INVESTMENTS IN JOINT VENTURES

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Share of net assets | **5,576,968** | 4,900,274 |
| Less: impairment losses on investment in joint ventures | **(984,111)** | – |
| Goodwill | **477,105** | 477,105 |
| | **5,069,962** | 5,377,379 |

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method (see Note 19), after initially being recognised at cost in the consolidated balance sheet.

## 20. INVESTMENTS IN JOINT VENTURES (Continued)

As at 31 December 2023, the Group had investments in the following joint ventures which are all unlisted corporate entities whose quoted market price is not available:

| Name | Place of incorporation and operations/legal status | Issued/ registered capital | Proportion of ownership interest, voting power and profit sharing attributable to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **31 December 2023** | 31 December 2022 | |
| China LNG Shipping (Holdings) Limited ("**CLNG**") | Hong Kong/ Limited liability company | USD602,885,382 (2022: USD513,439,182) | **50%** | 50% | Investment holding |
| Arctic Blue LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Green LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Purple LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Red LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Orange LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Yellow LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Indigo LNG Shipping Limited | Hong Kong/ Limited liability company | USD1,000 | **50%** | 50% | Vessel holding |
| Arctic Gold LNG Shipping Limited | Hong Kong/ Limited liability company | USD93,075,962 | **50%** | 50% | Vessel holding |
| Arctic Silver LNG Shipping Limited | Hong Kong/ Limited liability company | USD93,075,962 | **50%** | 50% | Vessel holding |
| Arctic Bronze LNG Shipping Limited | Hong Kong/ Limited liability company | USD93,075,962 | **50%** | 50% | Vessel holding |

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

## 20. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information of a joint venture that is material to the Group and reconciliation to the carrying amount of the Group's interest in the joint venture is disclosed as follows:

| | CLNG | |
|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| Non-current assets | **9,757,312** | 9,488,411 |
| Current assets | **1,128,949** | 947,712 |
| Cash and bank | **1,111,747** | 937,138 |
| Other current assets | **17,202** | 10,574 |
| Non-current liabilities | **(1,572,618)** | (1,871,869) |
| Current liabilities | **(953,698)** | (1,418,957) |
| Net assets | **8,359,945** | 7,145,297 |
| Non-controlling interests | **(1,157,085)** | (1,081,943) |
| | **7,202,860** | 6,063,354 |
| Proportion of the Group's ownership interest | **50%** | 50% |
| The Group's share of net assets | **3,601,430** | 3,031,677 |
| Goodwill | **477,105** | 477,105 |
| Carrying amount of the Group's interest in the joint venture | **4,078,535** | 3,508,782 |

## 20. INVESTMENTS IN JOINT VENTURES (Continued)

| For the year ended 31 December | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Revenues** | **1,243,310** | 1,072,741 |
| Profit for the year | **1,177,330** | 1,138,706 |
| Other comprehensive income | **41,732** | 995,042 |
| Total comprehensive income for the year | **1,219,062** | 2,133,748 |
| Dividends received from the joint ventures | **253,119** | 183,816 |

The aggregate information of the Group's joint ventures that are not individually material to the Group is disclosed as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements | **1,975,538** | 1,868,596 |
| **For the year ended 31 December** | | |
| Aggregate amounts of the Group's share of: | | |
| Profit for the year | **239,192** | 257,844 |
| Other comprehensive income | **68,444** | 96,762 |
| Total comprehensive income for the year | **307,636** | 354,606 |

## 21. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

| Financial assets | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Financial assets at amortised cost | | | |
| Trade and bills receivables | 26 | **582,601** | 545,041 |
| Loan receivables | 22 | **1,320,235** | 1,312,935 |
| Cash and bank | 28 | **5,627,218** | 4,239,339 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 23(a) | **291,794** | 387,090 |
| Derivative financial instruments | 31 | **92,083** | 116,525 |
| | | **7,913,931** | 6,600,930 |

| Financial liabilities | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Liabilities at amortised cost | | | |
| Trade and bills payables | 29 | **1,707,876** | 1,939,321 |
| Interest-bearing bank and other borrowings | 32 | **27,624,338** | 27,764,970 |
| Other loans | 33 | **960,010** | 993,722 |
| Lease liabilities | 17 | **1,126,629** | 1,457,102 |
| Derivative financial instruments | 31 | **9,426** | – |
| | | **31,428,279** | 32,155,115 |

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## 22. LOAN RECEIVABLES

| | Note | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|---|
| Loans to associates | (i) | **335,865** | 346,992 |
| Loans to joint ventures | (ii) | **984,370** | 965,943 |
| | | **1,320,235** | 1,312,935 |
| Less: current portion | | **(18,979)** | (19,046) |
| Non-current portion | | **1,301,256** | 1,293,889 |

Note:

(i) As at 31 December 2023, loans to associates are at a weighted average rate of SOFR plus 2.26% and fixed rate of 6.70% and 6.50% (31 December 2022: 3-month LIBOR plus 2% and fixed rate of 6.70% and 6.50%) per annum and repayable in 2030 and 2031.

(ii) As at 31 December 2023 and 31 December 2022, loans to joint ventures are SOFR plus 1.56% per annum, interest-bearing at 3-month LIBOR plus 0.80% per annum and Euro Interbank Offered Rate plus 0.50% per annum, unsecured, and repayable within 20 years after the joint ventures' vessels construction projects are completed.

As at 31 December 2023 and 31 December 2022, all loan receivables are denominated in USD.

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### (a) Equity investments at fair value through other comprehensive income

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| Listed equity investments in the PRC | **291,794** | 387,090 |

### (b) Amounts recognised in profit or loss and other comprehensive income

During the year, the following loss were recognised in other comprehensive income (net of tax).

| | For the year ended 31 December | |
|---|---|---|
| | **2023 RMB'000** | 2022 RMB'000 |
| Loss recognised in other comprehensive income | **(95,296)** | (119,150) |

## 24. DEFERRED TAX ASSETS AND LIABILITIES

(a) **Components of deferred tax assets (prior to offsetting balances within the same taxation jurisdiction) recognised in the consolidated statement of financial position and the movements during the year are as follows:**

| | Lease liabilities RMB'000 | Accelerated tax depreciation RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 31 December 2021 (as previously reported) | – | 40,387 | – | 40,387 |
| Effect of change in accounting policy | 2,105 | – | – | 2,105 |
| At 1 January 2022 (restated) | 2,105 | 40,387 | – | 42,492 |
| (Charge)/credit to profit or loss (restated) | (260) | (2,389) | 276 | (2,373) |
| At 31 December 2022 (as previously reported) | **–** | **37,998** | **276** | **38,274** |
| Effect of change in accounting policy | **1,845** | **–** | **–** | **1,845** |
| At 1 January 2023 (restated) | **1,845** | **37,998** | **276** | **40,119** |
| (Charge)/credit to profit or loss | **4,097** | **(2,389)** | **(34)** | **1,674** |
| Exchange realignment | **–** | **–** | **5** | **5** |
| At 31 December 2023 | **5,942** | **35,609** | **247** | **41,798** |

## 24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

(b) **Components of deferred tax liabilities (prior to offsetting balances within the same taxation jurisdiction) recognised in the consolidated statement of financial position and the movements during the year are as follows:**

| | Right-of-use assets RMB'000 | Revaluation of investment properties RMB'000 | Fair value change on FVOCI RMB'000 | Accelerated tax depreciation RMB'000 | Unremitted earnings RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 31 December 2021 (as previously reported) | – | 1,195 | 118,916 | 167,162 | 191,605 | 4,261 | 483,139 |
| Effect of change in accounting policy | 1,234 | – | – | – | – | – | 1,234 |
| At 1 January 2022 (restated) | 1,234 | 1,195 | 118,916 | 167,162 | 191,605 | 4,261 | 484,373 |
| Charge/(credit) to profit or loss (restated) | 240 | (467) | – | (5,118) | 684,854 | (304) | 679,205 |
| Credit to other comprehensive income | – | – | (29,787) | – | – | – | (29,787) |
| Exchange realignment | – | – | – | – | – | (4) | (4) |
| **At 31 December 2022 (as previously reported)** | **–** | **728** | **89,129** | **162,044** | **876,459** | **3,953** | **1,132,313** |
| **Effect of change in accounting policy** | **1,474** | **–** | **–** | **–** | **–** | **–** | **1,474** |
| **At 1 January 2023 (restated)** | **1,474** | **728** | **89,129** | **162,044** | **876,459** | **3,953** | **1,133,787** |
| **Charge/(credit) to profit or loss** | **4,504** | **(261)** | **–** | **(8,228)** | **380,894** | **(181)** | **376,728** |
| **Credit to other comprehensive income** | **–** | **–** | **(49,946)** | **–** | **–** | **–** | **(49,946)** |
| **At 31 December 2023** | **5,978** | **467** | **39,183** | **153,816** | **1,257,353** | **3,772** | **1,460,569** |

## 24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

**(c) An analysis of the deferred tax balances after offsetting for the consolidated statement of financial position are disclosed as follows:**

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated) |
|---|---|---|
| Deferred tax assets | **35,856** | 38,645 |
| Deferred tax liabilities | **(1,454,627)** | (1,132,313) |
| | **(1,418,771)** | (1,093,668) |

As at 31 December 2023, there were no unrecognised deferred income tax liabilities (31 December 2022: RMB186,382,000).

## 25. INVENTORIES

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Bunker oil inventories | **901,712** | 1,030,462 |
| Ship stores and spare parts | **248,115** | 247,607 |
| | **1,149,827** | 1,278,069 |

## 26. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| Trade and bills receivables from third parties | 585,971 | 543,923 |
| Trade receivables from fellow subsidiaries | – | 5,068 |
| Trade receivables from related companies (Note) | 4,000 | 2,173 |
| | 589,971 | 551,164 |
| Less: allowance for doubtful debts (b) | (7,370) | (6,123) |
| | 582,601 | 545,041 |
| Current contract assets relating to oil shipment contracts | 1,562,196 | 1,636,674 |
| Less: allowance (b) | (11,030) | (4,500) |
| Total contract assets | 1,551,166 | 1,632,174 |

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

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 20 days and therefore all classified as current.

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 2023, trade and bills receivables and contract assets of RMB1,817,264,000 (31 December 2022: RMB947,977,000) are denominated in USD.

## 26. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

**(a) 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 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| Within 1 year | **573,567** | 537,136 |
| 1–2 years | **8,909** | 7,897 |
| Over 2 years | **125** | 8 |
| | **582,601** | 545,041 |

**(b) Impairment of trade receivables and contract assets**

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and Producer Price Index (PPI) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

## 26. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

### (b) Impairment of trade receivables and contract assets (Continued)

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for both trade receivables and contract assets:

| **At 31 December 2023** | **Within 6 months RMB'000** | **7–12 months RMB'000** | **Over 1 year RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| Expected loss rate | **0.68%** | **3.60%** | **9.56%** | **0.85%** |
| Gross carrying amount – trade receivables | **483,509** | **96,473** | **9,989** | **589,971** |
| Gross carrying amount – contract assets | **1,562,196** | **–** | **–** | **1,562,196** |
| Loss allowance | **13,972** | **3,473** | **955** | **18,400** |

| At 31 December 2022 | Within 6 months RMB'000 | 7–12 months RMB'000 | Over 1 year RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Expected loss rate | 0.13% | 3.62% | 36.94% | 0.49% |
| Gross carrying amount – trade receivables | 446,974 | 91,655 | 12,535 | 551,164 |
| Gross carrying amount – contract assets | 1,636,674 | – | – | 1,636,674 |
| Loss allowance | 2,675 | 3,318 | 4,630 | 10,623 |

## 26. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

### (b) Impairment of trade receivables and contract assets (Continued)

The closing loss allowances for trade receivables and contract assets as at 31 December 2023 reconcile to the opening loss allowances as follows:

| | Trade receivables and Contract assets | |
|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| **At the beginning of the year** | **10,623** | 10,131 |
| Impairment losses recognised | **7,750** | 279 |
| Exchange realignment | **27** | 213 |
| **At the end of the year** | **18,400** | 10,623 |

## 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Prepayments | **69,420** | 76,801 |
| Deposits and other receivables | **315,643** | 293,832 |
| Due from fellow subsidiaries | **126,832** | 266,370 |
| Due from associates | **203** | 109 |
| Due from joint ventures | **203,869** | 1,363 |
| Due from related companies (Note) | **48,121** | 43,900 |
| | **764,088** | 682,375 |
| Less: impairment of other receivables (Note 27(a)) | **(232,902)** | (14,276) |
| | **531,186** | 668,099 |

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

## 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The amounts due from fellow subsidiaries, associates, joint ventures and related companies are unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2023, deposits and other receivables of RMB207,271,000 (31 December 2022: RMB236,314,000) are denominated in USD.

### (a) Impairment of other receivables

The movement of the impairment of other receivables during the year is as follows:

| | Trade receivables and Contract assets | |
|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| At the beginning of the year | **14,276** | 9,882 |
| Impairment losses recognised (Note) | **217,545** | 4,123 |
| Impairment losses written off | **–** | (388) |
| Exchange realignment | **1,081** | 659 |
| At the end of the year | **232,902** | 14,276 |

Note:

The Group recognises expected credit loss for other receivables of certain joint ventures amounted to RMB203,869,000 (2022: Nil), due to significant changes on the operation environment.

Management makes periodic assessment on a portfolio basis on the recoverability of other receivables based on historical settlement records, past experiences and adjusts for forward looking information in determining the impairment of other receivables.

## 28. PLEDGED BANK DEPOSITS AND CASH AND BANK

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Pledged bank deposits | **781** | 778 |
| Balances placed with CS Finance (Note) | **3,928,572** | 2,041,881 |
| Unpledged bank balances and cash | **1,694,344** | 2,196,484 |
| Cash and cash equivalents | **5,622,916** | 4,238,365 |
| Interest receivable | **4,302** | 974 |
| Total pledged bank deposits and cash and bank | **5,627,999** | 4,240,117 |

Note:

CS Finance is an associate of the Company, and balances placed bear interest of prevailing market rates.

As at 31 December 2023, cash and cash equivalents of RMB3,682,940,000 (31 December 2022: RMB2,871,689,000) are denominated in USD.

## 29. TRADE AND BILLS PAYABLES

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| Trade and bills payables to third parties | **887,735** | 891,755 |
| Trade payables to fellow subsidiaries | **795,895** | 1,016,493 |
| Trade payables to an associate | **5,692** | 8,825 |
| Trade payables to related companies (Note) | **18,554** | 22,248 |
| | **1,707,876** | 1,939,321 |

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

Trade payables are unsecured and are usually paid within 30 days of recognition.

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 2023, trade and bills payables of RMB831,437,000 (31 December 2022: RMB843,056,000) 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 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| Within 1 year | **1,583,641** | 1,774,144 |
| 1–2 years | **66,373** | 147,707 |
| Over 2 years | **57,862** | 17,470 |
| | **1,707,876** | 1,939,321 |

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

## 30. OTHER PAYABLES AND ACCRUALS

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Accruals | **596,829** | 526,545 |
| Other payables | **464,249** | 311,658 |
| Due to fellow subsidiaries | **325,975** | 141,070 |
| Due to a joint venture | **4,101** | 4,120 |
| Due to an associate | **2,837** | 12 |
| Due to other related companies (Note) | **27,223** | 14,164 |
| Due to the ultimate holding company | **–** | 2,434 |
| | **1,421,214** | 1,000,003 |

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

The amounts due to the ultimate holding company, the immediate holding company, fellow subsidiaries, an associate, and other related parties are unsecured, non-interest-bearing and repayable on demand.

Other payables and accruals are non-interest-bearing and are normally settled in 1 to 3 months.

As at 31 December 2023, financial liabilities included in other payables and accruals of RMB344,219,000 (31 December 2022: RMB246,945,000) are denominated in USD.

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2023, the Group had interest rate swap agreements with total principal amount of approximately USD703,736,000 (equivalent to RMB4,984,351,000) (31 December 2022: approximately USD734,232,000 (equivalent to RMB5,113,632,000)) which will mature in 2031, 2032, 2033, 2034 and 2035 (31 December 2022: 2031, 2032, 2033, 2034 and 2035). 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 2023, the floating interest rates of the bank borrowings were SOFR plus 1.66% and SOFR plus 2.45% (31 December 2022: 3-month LIBOR plus 2.20% and 3-month LIBOR plus 1.40%).

## 31. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Group has the following derivative financial instruments:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Interest rate swaps – cash flow hedges | **92,083** | 116,525 |
| Total non-current derivative financial instrument assets | **92,083** | 116,525 |
| **Non-current liabilities** | | |
| Interest rate swaps – cash flow hedges | **9,426** | – |
| Total non-current derivative financial instrument liabilities | **9,426** | – |

## 32. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

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

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

## 32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) As at 31 December 2023 and 31 December 2022, the interest-bearing bank and other borrowings were repayable as follows:

| | Bank borrowings RMB'000 | Other borrowings RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 31 December 2023** | | | |
| **Current portion** | | | |
| Within one year | **4,627,451** | **79,801** | **4,707,252** |
| **Non-current portion** | | | |
| In the second year | **2,014,018** | **1,558,284** | **3,572,302** |
| In the third to fifth years, inclusive | **8,299,205** | **1,210,821** | **9,510,026** |
| Over five years | **9,547,351** | **287,407** | **9,834,758** |
| | **19,860,574** | **3,056,512** | **22,917,086** |
| | **24,488,025** | **3,136,313** | **27,624,338** |
| **At 31 December 2022** | | | |
| **Current portion** | | | |
| Within one year | 5,913,132 | 1,105,110 | 7,018,242 |
| **Non-current portion** | | | |
| In the second year | 2,342,630 | 49,600 | 2,392,230 |
| In the third to fifth years, inclusive | 7,689,455 | 1,615,974 | 9,305,429 |
| Over five years | 8,855,269 | 193,800 | 9,049,069 |
| | 18,887,354 | 1,859,374 | 20,746,728 |
| | 24,800,486 | 2,964,484 | 27,764,970 |

As at 31 December 2023, no other borrowings was borrowed from the Company's immediate holding company or ultimate holding company.

## 33. OTHER LOANS

**(a) As at 31 December 2023 and 31 December 2022, details of other loans are as follows:**

| | Note | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|---|
| Kantons International Investment Limited ("**Kantons International**") | (i) | **627,372** | 649,782 |
| Mitsui O. S. K. Lines, Ltd. ("**MOL**") | (ii) | **321,744** | 331,616 |
| PetroChina International Co., Limited ("**PetroChina International**") | (iii) | **10,894** | 12,324 |
| | | **960,010** | 993,722 |
| Less: current portion | | **(52,069)** | (48,678) |
| Non-current portion | | **907,941** | 945,044 |

Note:

(i) As at 31 December 2023, other loans amounted to RMB32,056,000 (31 December 2022: RMB34,529,000) was borrowed by East China LNG Shipping Investment Co., Limited ("**ELNG**"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the associates held by ELNG. As at 31 December 2023, the loans are interest-bearing at a weighted average of SOFR plus 2.26% and fixed rate of 6.70% (31 December 2022: 3-month LIBOR plus 2% and fixed rate of 6.70%) per annum, unsecured, and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2023, other loans amounted to RMB595,316,000 (31 December 2022: RMB615,253,000) was borrowed by China Energy Shipping Investment Co., Limited ("**China Energy**"), an indirect and non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, Kantons International, to finance certain vessels construction projects being carried out by the subsidiaries of China Energy. As at 31 December 2023, the loans are interest-bearing at a weighted average of SOFR plus 2.45% and fixed rate of 4.80% (31 December 2022: 3-month LIBOR plus 2.20% and fixed rate of 4.80%) per annum, unsecured, and repayable within 15 years after the aforementioned vessels construction projects are completed.

## 33. OTHER LOANS (Continued)

### (a) As at 31 December 2023 and 31 December 2022, details of other loans are as follows: (Continued)

Note: (Continued)

(ii) As at 31 December 2023, other loans were borrowed by the subsidiaries of China Energy from their non-controlling shareholder, MOL, to finance certain vessels construction projects being carried out by them. As at 31 December 2023, the loans are interest-bearing at a weighted average of SOFR plus 2.45% and fixed rate of 4.80% (31 December 2022: 3-month LIBOR plus 2.20% and fixed rate of 4.80%) per annum, unsecured, and repayable within 15 years after the aforementioned vessels construction projects are completed.

(iii) As at 31 December 2023, other loans were borrowed by North China LNG Shipping Investment Co., Limited ("**NLNG**"), a non-wholly-owned subsidiary of the Company, from its non-controlling shareholder, PetroChina International, to finance certain vessels construction projects being carried out by the associates held by NLNG. As at 31 December 2023, the loans are interest-bearing at a weighted average of SOFR plus 2.26% and fixed rate of 6.50% (31 December 2022: 3-month LIBOR plus 2% and fixed rate of 6.50%) per annum, unsecured, and repayable within 20 years after the aforementioned vessels construction projects are completed.

As at 31 December 2023 and 31 December 2022, all other loans are denominated in USD.

### (b) As at 31 December 2023 and 31 December 2022, the Group's other loans were repayable as follows:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| **Current portion** | | |
| Within one year | **52,069** | 48,678 |
| **Non-current portion** | | |
| In the second year | **54,950** | 51,201 |
| In the third to fifth years, inclusive | **183,784** | 171,239 |
| Over five years | **669,207** | 722,604 |
| | **907,941** | 945,044 |
| | **960,010** | 993,722 |

## 34. EMPLOYEE BENEFITS PAYABLE

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Defined benefit plan payable | **213,533** | 190,429 |
| | **213,533** | 190,429 |
| Less: current portion | **(11,790)** | (30,521) |
| Non-current portion | **201,743** | 159,908 |

**(a) Details of defined benefit plan payable are as follows:**

Defined benefit plan payable represents post-employment benefit plan for current civil retirees and current retirees which are measured by using actuarial valuation method. Independent actuarial valuation has been carried by an independent firm with chartered actuarial certification.

The plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk. Information about the plan is disclosed as follows:

*(i) The amounts recognised in the consolidated statement of financial position are as follows:*

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Present value of unfunded obligations | **213,533** | 190,429 |
| Less: current portion | **(11,790)** | (30,521) |
| Non-current portion | **201,743** | 159,908 |

Current portion of defined benefit plan payable represents the amount expected to be paid by the Group in the next 12 months.

## 34. EMPLOYEE BENEFITS PAYABLE (Continued)

### (a) Details of defined benefit plan payable are as follows: (Continued)

*(ii) Movements in the present value of the defined benefit plan payable are as follows:*

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **190,429** | 193,572 |
| Remeasurement for the year | **30,230** | (2,560) |
| Benefits paid | **(15,024)** | (13,248) |
| Past service cost | **–** | 6,041 |
| Interest cost | **7,898** | 6,624 |
| At the end of the year | **213,533** | 190,429 |

The weighted average duration of the defined benefit plan is 9.5 (31 December 2022: 9.7) years.

*(iii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:*

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| Past service cost | **–** | 6,041 |
| Net interest on net defined benefit liability | **7,898** | 6,624 |
| Total amounts recognised in profit or loss | **7,898** | 12,665 |
| Actuarial loss/(gain) recognised in other comprehensive income | **30,230** | (2,560) |
| Total defined benefit costs | **38,128** | 10,105 |

The past service cost and the net interest on net defined benefit liability totaling RMB7,898,000 (31 December 2022: RMB12,665,000) were recognised in the other expenses and administrative expenses for the year.

## 34. EMPLOYEE BENEFITS PAYABLE (Continued)

### (a) Details of defined benefit plan payable are as follows: (Continued)

*(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:*

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Discount rate | **2.50%** | 3.25% – 3.42% |
| Average annual increase rate of supplemental medical benefits | **5.00%** | 5.00% |

Mortality rate adopted for the defined benefit plan payable as at 31 December 2023 was based on the China Life Insurance Mortality Table 2010-2013-CL5/CL6 up 2 years issued by the China Life Insurance Regulatory Commission of the PRC.

The below analysis shows how the defined benefit plan payable would have increased/(decreased) as a result of 0.5% change of discount rate in the significant actuarial assumptions:

| | **Effect of payable** | |
|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| Increase in 0.5% | **(4,851)** | (5,157) |
| Decrease in 0.5% | **5,133** | 5,451 |

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

## 35. SHARE CAPITAL

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of shares (thousand) | Nominal value RMB'000 | Number of shares (thousand) | Nominal value RMB'000 |
| Registered, issued and fully paid: | | | | |
| Listed H – Shares of RMB1 each | 1,296,000 | 1,296,000 | 1,296,000 | 1,296,000 |
| Listed A – Shares of RMB1 each | 3,474,776 | 3,474,776 | 3,474,776 | 3,474,776 |
| At the beginning and end of the year | 4,770,776 | 4,770,776 | 4,770,776 | 4,770,776 |

## 36. RESERVES

### (a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

## 36. RESERVES (Continued)

### (b) The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out as follows:

| | Share premium RMB'000 | Revaluation reserve RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Statutory reserve RMB'000 | Safety fund reserve RMB'000 | General surplus reserve RMB'000 | FVOCI revaluation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 (as previously reported) | 12,096,429 | 270,254 | 27,426 | 2,580,077 | 2,877,435 | 35 | 93,158 | 1,019 | 6,434,801 | 24,380,634 |
| Effect of change in accounting policy | - | - | - | - | - | - | - | - | 366,863 | 366,863 |
| At 1 January 2022 (restated) | 12,096,429 | 270,254 | 27,426 | 2,580,077 | 2,877,435 | 35 | 93,158 | 1,019 | 6,801,664 | 24,747,497 |
| Profit for the year (restated) | - | - | - | - | - | - | - | - | 557,599 | 557,599 |
| Exercise of share options | 38,321 | - | - | - | - | - | - | - | - | 38,321 |
| Accrual of safety fund reserve | - | - | - | - | - | 63,404 | - | - | (63,404) | - |
| Utilisation of safety fund reserve | - | - | - | - | - | (61,944) | - | - | 61,944 | - |
| Fair value of share options granted | - | - | 2,548 | - | - | - | - | - | - | 2,548 |
| At 31 December 2022 | 12,134,750 | 270,254 | 29,974 | 2,580,077 | 2,877,435 | 1,495 | 93,158 | 1,019 | 7,357,803 | 25,345,965 |
| At 1 January 2023 (restated) | **12,134,750** | **270,254** | **29,974** | **2,580,077** | **2,877,435** | **1,495** | **93,158** | **1,019** | **7,357,803** | **25,345,965** |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,502,556** | **1,502,556** |
| Remeasurement of defined benefit plan payable | **-** | **-** | **-** | **(7,800)** | **-** | **-** | **-** | **-** | **-** | **(7,800)** |
| Dividends approved in respect of previous year | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(715,616)** | **(715,616)** |
| Accrual of safety fund reserve | **-** | **-** | **-** | **-** | **-** | **108,062** | **-** | **-** | **(108,062)** | **-** |
| Utilisation of safety fund reserve | **-** | **-** | **-** | **-** | **-** | **(108,625)** | **-** | **-** | **108,625** | **-** |
| Fair value of share options granted | **-** | **-** | **9,635** | **-** | **-** | **-** | **-** | **-** | **-** | **9,635** |
| At 31 December 2023 | **12,134,750** | **270,254** | **39,609** | **2,572,277** | **2,877,435** | **932** | **93,158** | **1,019** | **8,145,306** | **26,134,740** |

## 36. RESERVES (Continued)

### (b) The Company (Continued)

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to allocate 10% of its profit after tax, as determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations ("**PRC GAAP**") and regulations applicable to the Company, to the Statutory Surplus Reserve (the "**SSR**") until the SSR reaches 50% of the registered capital of the Company.

According to the relevant regulations in the PRC, the reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HKFRS. On this basis, as at 31 December 2023, before the proposed final dividend, the Company had reserve of RMB8,145,306,000 (31 December 2022: RMB7,357,803,000).

In addition, in accordance with the Company Law of the PRC, an amount of RMB12,134,750,000 (31 December 2022: RMB12,134,750,000) standing to the credit of the Company's share premium account was available for distribution by way of future capitalisation issues.

### (c) Nature and purposes of reserves

*(i) Share premium*

Share premium arised from the issuance of shares at prices in excess of their par value.

*(ii) Revaluation reserve*

The revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the assets at fair value.

*(iii) Capital reserve*

The reserve arised from the acquisition of additional interests in a subsidiary and revaluation of assets arising from capital restructuring of a subsidiary.

*(iv) Merger reserve*

The reserve arised from business combination involving entities under common control.

*(v) Statutory reserve*

The Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must be before distribution of a dividend to shareholders.

## 36. RESERVES (Continued)

### (c) Nature and purposes of reserves (Continued)

*(vi) Safety fund reserve*

According to CaiQi [2022] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

The accrued expenses will be transferred to production safety fund surplus reserve under equity attributable to owners of the Company for the year. When its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as production safety fund surplus reserve will be recognised in the cost of sales simultaneously. Pursuant to HKFRS, these expenditures should be recognised when incurred according to the respective accounting policy.

*(vii) General surplus reserve*

When the public welfare fund is utilised, an amount equal to the lower of either the cost of the assets and the balance of the public welfare fund is transferred from public welfare fund to the general surplus reserve.

*(viii) Hedging reserve*

Changes in the fair values of derivative financial instruments are to be charged directly and transferred to hedging reserve.

*(ix) FVOCI revaluation reserve*

The FVOCI revaluation reserve comprises the cumulative net change in the fair value of FVOCI held at the end of the year.

*(x) Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

*(xi) Other reserve*

The reserve arised from the acquisition of subsidiary under common control.

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 (Restated) |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investment properties | **162,293** | 162,293 |
| Property, plant and equipment | **10,428,252** | 11,099,422 |
| Right-of-use assets | **7,414,412** | 8,646,864 |
| Investments in subsidiaries | **20,091,925** | 18,552,663 |
| Investments in associates | **4,202,980** | 4,202,980 |
| Investments in a joint venture | **3,038,577** | 2,727,666 |
| Loan receivables | **4,037,139** | 1,253,628 |
| Deferred tax assets | **–** | 163,393 |
| Other non-current assets | **25,115** | 130,412 |
| | **49,400,693** | 46,939,321 |
| **CURRENT ASSETS** | | |
| Current portion of loan receivables | **1,785** | 575 |
| Inventories | **287,814** | 371,839 |
| Contract assets | **148,128** | 376,736 |
| Trade and bills receivables | **698,028** | 915,460 |
| Prepayments, deposits and other receivables | **1,336,167** | 2,182,035 |
| Cash and bank | **2,417,096** | 971,918 |
| | **4,889,018** | 4,818,563 |
| **TOTAL ASSETS** | **54,289,711** | 51,757,884 |

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 (Restated) |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Provision and other liabilities | **2,173** | 2,027 |
| Interest-bearing bank and other borrowings | **4,663,778** | 2,857,298 |
| Employee benefits payable | **41,091** | 52,239 |
| Lease liabilities | **7,288,675** | 8,650,216 |
| Deferred tax liabilities | **169,221** | – |
| | **12,164,938** | 11,561,780 |
| **CURRENT LIABILITIES** | | |
| Trade and bills payables | **1,297,413** | 1,440,332 |
| Other payables and accruals | **5,868,078** | 5,887,823 |
| Current portion of interest-bearing bank and other borrowings | **2,543,680** | 1,353,520 |
| Contract liabilities | **5,646** | 4,198 |
| Current portion of lease liabilities | **1,361,541** | 1,368,351 |
| Current tax liabilities | **142,899** | 25,139 |
| | **11,219,257** | 10,079,363 |
| **TOTAL LIABILITIES** | **23,384,195** | 21,641,143 |
| **EQUITY** | | |
| Share capital | **4,770,776** | 4,770,776 |
| Reserves | **26,134,740** | 25,345,965 |
| **TOTAL EQUITY** | **30,905,516** | 30,116,741 |

## 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**(a) Reconciliation from profit before tax to net cash generated from operating activities is as follows:**

| | For the year ended 31 December | |
|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| Profit before tax | **4,740,196** | 2,752,847 |
| Adjustments for: | | |
| Finance costs | **1,453,793** | 993,999 |
| Interest income | **(207,054)** | (81,140) |
| Gain on disposal of property, plant and equipment, net | **(402,975)** | (73,945) |
| Loss on impairment of investments in joint ventures | **984,111** | – |
| Dividends received from financial assets at FVOCI | **(17,730)** | (15,809) |
| Provision for impairment losses on trade receivables and contract assets | **7,750** | 279 |
| Provision for impairment losses on other receivables | **217,545** | 4,123 |
| Depreciation of property, plant and equipment | **2,935,082** | 2,600,011 |
| Depreciation of right-of-use assets | **222,931** | 211,073 |
| Fair value adjustment to derivatives | **(11,980)** | – |
| Share of profits of associates | **(457,602)** | (317,497) |
| Share of profits of joint ventures | **(730,288)** | (725,255) |
| Operating profit before working capital changes | **8,733,779** | 5,348,686 |
| Decrease/(increase) in inventories | **128,242** | (264,866) |
| Decrease/(increase) in trade and bills receivables and contract assets | **272,511** | (1,058,572) |
| Decrease/(increase) in prepayments | **7,381** | (15,760) |
| (Increase)/decrease in deposits and other receivables | **(21,811)** | 87,696 |
| Increase in amounts due from associates | **(94)** | (109) |
| Decrease/(increase) in amounts due from joint ventures | **387** | (613) |
| Decrease in amounts due from fellow subsidiaries | **139,538** | 28,000 |
| (Increase)/decrease in amounts due from related companies | **(4,221)** | 13,559 |
| (Decrease)/increase in trade and bills payables and contract liabilities | **(150,559)** | 248,200 |
| Increase in other payables | **152,591** | 100,701 |
| Increase in accruals | **70,284** | 57,659 |
| Decrease in amount due to the ultimate holding company | **(2,434)** | (1,986) |
| Increase/(decrease) in amount due to an associate | **2,825** | (1,646) |
| (Decrease)/increase in amounts due to joint ventures | **(19)** | 637 |
| Increase in amount due to other related parties | **13,059** | 14,168 |
| Increase/(decrease) in amounts due to fellow subsidiaries | **184,905** | (73,701) |
| Increase in provision and other liabilities | **10,773** | 3,348 |
| Increase/(decrease) in employee benefits payable | **23,104** | (3,143) |
| Cash generated from operations | **9,560,241** | 4,482,258 |
| Income tax paid | **(897,889)** | (352,419) |
| Net cash generated from operating activities | **8,662,352** | 4,129,839 |

## 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Reconciliation of liabilities arising from financing activities

| | Derivative financial instruments (Note 31) RMB'000 | Lease liabilities (Note 17) RMB'000 | Interest bearing bank and other borrowings (Note 32) RMB'000 | Other loans (Note 33) RMB'000 | Total liabilities from financing activities RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2022 and 1 January 2023 | – | 1,457,102 | 27,764,970 | 993,722 | 30,215,794 |
| Changes from financing cash flows: | | | | | |
| Interest paid | – | (53,664) | (1,375,809) | (57,221) | (1,486,694) |
| Proceeds from derivative financial instruments | 77,763 | – | – | – | 77,763 |
| Increase in interest-bearing bank and other borrowings | – | – | 11,195,949 | – | 11,195,949 |
| Repayment of interest-bearing bank and other borrowings | – | – | (11,734,706) | – | (11,734,706) |
| Repayment of other loans | – | – | – | (49,266) | (49,266) |
| Lease payment | – | (432,745) | – | – | (432,745) |
| | 77,763 | (486,409) | (1,914,566) | (106,487) | (2,429,699) |
| Other changes: | | – | | | |
| Interest expenses | (77,763) | 53,664 | 1,419,959 | 56,167 | 1,452,027 |
| Net change in fair value | (30,111) | – | – | – | (30,111) |
| Currency translation differences | 39,537 | 102,272 | 353,975 | 16,608 | 512,392 |
| | (68,337) | 155,936 | 1,773,934 | 72,775 | 1,934,308 |
| At 31 December 2023 | 9,426 | 1,126,629 | 27,624,338 | 960,010 | 29,720,403 |

## 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Reconciliation of liabilities arising from financing activities (Continued)

| | Derivative financial instruments (Note 31) RMB'000 | Lease liabilities (Note 17) RMB'000 | Interest bearing bank and other borrowings (Note 32) RMB'000 | Other loans (Note 33) RMB'000 | Bonds payable RMB'000 | Total liabilities from financing activities RMB'000 |
|---|---|---|---|---|---|---|
| At 31 December 2021 and 1 January 2022 | 556,105 | 1,655,380 | 20,314,513 | 954,723 | 2,538,514 | 26,019,235 |
| Changes from financing cash flows: | | | | | | |
| Interest paid | (80,523) | (65,702) | (572,427) | (8,980) | (126,800) | (854,432) |
| Proceeds from derivative financial instruments | 304 | – | – | – | – | 304 |
| Increase in interest-bearing bank and other borrowings | – | – | 14,977,971 | – | – | 14,977,971 |
| Repayment of interest-bearing bank and other borrowings | – | – | (9,600,923) | – | – | (9,600,923) |
| Repayment of other loans | – | – | – | (94,867) | – | (94,867) |
| Repayment of bonds payable | – | – | – | – | (2,500,000) | (2,500,000) |
| Lease payment | – | (354,435) | – | – | – | (354,435) |
| | (80,219) | (420,137) | 4,804,621 | (103,847) | (2,626,800) | 1,573,618 |
| Other changes: | | | | | | |
| Interest expenses | 80,219 | 65,702 | 773,058 | 56,332 | 88,286 | 1,063,597 |
| Net change in fair value | (619,172) | – | – | – | – | (619,172) |
| Currency translation differences | 63,067 | 156,157 | 1,872,778 | 86,514 | – | 2,178,516 |
| | (475,886) | 221,859 | 2,645,836 | 142,846 | 88,286 | 2,622,941 |
| At 31 December 2022 | – | 1,457,102 | 27,764,970 | 993,722 | – | 30,215,794 |

## 39. PENSION AND ENTERPRISE ANNUITY SCHEMES

**The PRC (other than Hong Kong)**

*(i) Pension scheme*

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent approximately to 16% (2022: 16%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the year ended 31 December 2023 amounted to RMB41,738,000 (2022: RMB39,222,000).

*(ii) Enterprise annuity scheme*

In 2008, the representatives of the Group's Labor 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 employee's 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 labor cost in 2023 amounted to RMB36,009,000 (2022: RMB34,376,000).

## 40. CONTINGENT LIABILITIES AND GUARANTEE

(a) Four associates of East China LNG Shipping Investment Co., Limited ("**ELNG**") and North China LNG Shipping Investment Co., Limited ("**NLNG**"), two non-wholly-owned subsidiaries of the Company, entered into a ship building contract for one LNG vessel each. After the completion of their LNG vessels, the four associates would lease the vessels to the lessors in accordance with the signed leasing contracts. In July 2011, the Company provided guarantees to the four associates for their obligations under the leasing contracts, with the guarantee amount not exceeding USD8,200,000 (equivalent to approximately RMB58,078,000). The guarantee period is limited to the lease period.

(b) From 2014 to 2021, the joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, signed several ship building contracts and leasing contracts with certain third parties. According to those contracts, the Company would provide guarantees to the joint ventures for their obligations under those contracts based on the subsidiary's percentage of shareholdings in the joint ventures. As at 31 December 2023, the aggregate amount of the guarantees provided to the shipbuilders and lessees was USD290,653,000 (equivalent to approximately RMB2,058,608,000) and USD11,393,000 (equivalent to approximately RMB80,693,000) respectively, and the guarantee periods are limited to the lease periods.

(c) In June 2017, the Company provided financial guarantees to three joint ventures of COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company to the extent of the contract amount of USD377,500,000 (equivalent to approximately RMB2,673,719,000) in respect of the bank borrowings provided by two banks. The guarantee period is limited to 12 years after the vessel construction project of each of the joint ventures is completed. As at 31 December 2023, the balance of the guarantees was USD282,738,048 (equivalent to approximately RMB2,002,549,000).

## 41. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its vessels and buildings under operating lease arrangements, with leases negotiated for an initial year of 1 to 20 (31 December 2022: 1 to 20) years.

As at 31 December 2023, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| Within one year | **2,696,121** | 1,957,331 |
| In the second to fifth years, inclusive | **8,584,259** | 5,515,722 |
| Over five years | **21,011,745** | 12,298,327 |
| | **32,292,125** | 19,771,380 |

## 42. CAPITAL COMMITMENTS

| | Note | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|---|
| Authorised and contracted but not provided for: | | | |
| Construction and purchases of vessels | (i) | **13,735,816** | 6,972,156 |
| Equity investments | (ii) | **–** | 311,479 |
| | | **13,735,816** | 7,283,635 |

Note:

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

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

## 43. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by China Shipping and COSCO SHIPPING, the immediate parent company and the ultimate parent company, both of which are government-related enterprise established in the PRC. The PRC government indirectly controls COSCO SHIPPING and its subsidiaries. In accordance with HKAS (Revised), "Related Party Disclosure", issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significant influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries (other than the Group), other government related entities and their subsidiaries, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and bank.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies for the interests of the consolidated financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

## 43. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

| | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|
| **Transactions with fellow subsidiaries and the related entities of COSCO SHIPPING** | | |
| Revenues | | |
| Shipping services and ship charter services | **24,609** | 99,525 |
| Rental income, including surcharge | **529** | 431 |
| Expenses | | |
| Supply of marine lubricant, fuel, material, painting, spare part and ship equipment etc. | **5,040,499** | 5,007,121 |
| Electrical, telecommunication, ship repair and technical improvements services etc. | **1,564,843** | 1,613,237 |
| Ship and related business insurance and insurance brokerage services | **54,302** | 79,403 |
| Ship and shipping agency services | **93,225** | 78,598 |
| Management service of sea crew | **2,199,064** | 2,148,578 |
| Rental expense | **3,835** | 4,614 |
| Miscellaneous services | **57,694** | 60,104 |
| Others | | |
| Construction of vessels | **–** | 175,601 |
| **Transactions with joint ventures of the Group** | | |
| Revenues | | |
| Interest income from joint ventures | **64,837** | 28,663 |
| **Transactions with associates of the Group** | | |
| Revenues | | |
| Interest income from associates | **90,030** | 42,132 |
| Vessel chartering income | **122,425** | 120,790 |

Note: These transactions were conducted either based on terms as governed by the master agreements and subsisting agreements entered into the Group and COSCO SHIPPING Group or based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2023 and 31 December 2022, majority of the Group's bank balances and bank borrowings are with state-owned banks.

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2023, particulars of the Group's principal subsidiaries are as follows:

| Name | Place of incorporation and operations/legal status | Issued/ registered capital | Class of shares In issue | Proportion of ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Direct | | Indirect | | |
| | | | | 2023 | 2022 | 2023 | 2022 | |
| Guangzhou Sanding Oil Shipping Co., Ltd. | The PRC/ Limited liability company | RMB299,018,000 | Ordinary | 51% | 51% | - | – | Oil transportation and vessel chartering |
| COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. | The PRC/ Limited liability company | RMB4,141,000,000 (2022: RMB2,602,000,000) | Ordinary | 100% | 100% | - | – | Investment holding |
| Offshore Oil (Yangpu) Shipping Co., Ltd. | The PRC/ Limited liability company | RMB20,000,000 | Ordinary | 43% | 43% | - | – | Oil transportation and vessel chartering |
| Huahai Petrol Transportation & Trading Co., Limited | The PRC/ Limited liability company | RMB56,879,168 | Ordinary | - | – | 51% | 51% | Oil transportation and vessel chartering |
| COSCO PetroChina SHIPPING | The PRC/ Limited liability company | RMB496,067,600 | Ordinary | 51% | 51% | - | – | Oil transportation and vessel chartering |
| China Shipping Development (Hong Kong) Marine Co., Limited | Hong Kong/ Limited liability company | USD100,000,000 | Ordinary | 100% | 100% | - | – | Investment holding |
| ELNG | Hong Kong/ Limited liability company | USD5,000,000 | Ordinary | 70% | 70% | - | – | Investment holding |
| NLNG | Hong Kong/ Limited liability company | USD5,000,000 | Ordinary | 90% | 90% | - | – | Investment holding |
| COSCO SHIPPING Tanker (Singapore) Pte. Ltd. | Singapore/ Limited liability company | USD2,000,000 | Ordinary | 100% | 100% | - | – | Oil transportation and vessel chartering |
| COSCO SHIPPING TANKER (Britain) Company Limited | Britain/ Limited liability company | USD1,095,000 | Ordinary | 80% | 80% | - | – | Provision of agency services |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation and operations/legal status | Issued/ registered capital | Class of shares In issue | Proportion of ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Direct | | Indirect | | |
| | | | | **2023** | 2022 | **2023** | 2022 | |
| China Energy | Hong Kong/ Limited liability company | USD146,888,000 (2022: USD5,000,000) | Ordinary | **–** | – | **51%** | 51% | Investment holding |
| COSCO SHIPPING Tanker (USA) Company Limited | The United States of America/ Limited liability company | USD4,000,000 | Ordinary | **80%** | 80% | **–** | – | Provision of agency services |
| COSCO SHIPPING Energy Transportation (Hainan) Co., Ltd. | The PRC/ Limited liability company | RMB9,272,152,557 | Ordinary | **100%** | 100% | **–** | – | Oil transportation and vessel chartering |
| United Liquefied Gas Shipping (Hong Kong) Co., Limited | Hong Kong/ Limited liability company | USD371,547,157 (2022: USD231,260,000) | Ordinary | **–** | – | **71%** | 71% | Investment holding |

The above table lists the subsidiaries which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Directors considered the Group did not have any subsidiary with material non-controlling interests. The accumulated non-controlling interests and relevant movements relating to these subsidiaries were reflected in the consolidated statement of changes in equity.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

### 45.1 Principles of consolidation and equity accounting

i. *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 45.2).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

ii. *Equity method*

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 45.7.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.1 Principles of consolidation and equity accounting (Continued)

*iii. Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 45.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.2 Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 45.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.4 Foreign currency translation

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Group's presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.4 Foreign currency translation (Continued)

*(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 45.5 Property, plant and equipment

The Group's accounting policy for vessel is explained in note 16. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 45.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### 45.6 Goodwill

Goodwill is measured as described in Note 45.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

### 45.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.8 Investments and other financial assets

*(i) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.8 Investments and other financial assets (Continued)

*(iii)* *Measurement* (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.8 Investments and other financial assets (Continued)

*(iii)* *Measurement* (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(iv)* *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 26 for further details.

### 45.9 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.9 Financial guarantee contracts (Continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### 45.10 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 31.

*Cash flow hedge that quantity for hedge accounting*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item (‘aligned time value’) are recognised within OCI in the costs of hedging reserve within equity.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.10 Derivatives and hedging activities (Continued)

*Cash flow hedge that quantity for hedge accounting* (Continued)

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

### 45.11 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 26 for further information about the Group's accounting for trade receivables and Note 4.6 for a description of the Group's impairment policies.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.12 Cash and bank

For the purpose of presentation in the statement of cash flows, cash and bank includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### 45.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 45.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

### 45.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.15 Borrowing costs (Continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 45.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

*Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

*Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.16 Current and deferred income tax (Continued)

*Deferred income tax* (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 45.17 Employee benefits

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

*(ii) Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.17 Employee benefits (Continued)

*(ii) Other long-term employee benefit obligations* (Continued)

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

*(iii) Post-employment obligations*

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Certain defined benefit schemes require employees to contribute to reduce the cost of the benefits to the Group. Contributions from employees are linked to service and hence, the contributions reduce service cost.

The Group attributes the contributions from employees to periods of service on a straight-line basis.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.17 **Employee benefits** (Continued)

*(iii) Post-employment obligations* (Continued)

Pension obligations (Continued)

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

*(iv) Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(v) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 45.19 Earnings per share

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group, as lessor, allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.20 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

- If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.20 Leases (Continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

*(i) The Group's leasing activities and how these are accounted for*

The Group leases various buildings, vessels, and vehicles. Rental contracts are typically made for fixed periods of 2 years to 16 years, but may have extension options as described in (ii) below.

*(ii) Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### 45.21 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 45.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Note 6 provides further information on how the group accounts for government grants.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.23 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income, see Note 6.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 45.24 Revenue recognition

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

Contract liabilities are recognised for advance from customers with contracts.

There is no material contract fulfillment cost or cost of obtaining contracts of the Group.

The Group do not have any significant variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonuses or royalties.

The Group assesses, and includes in the transaction price at contract inception, the amount of variable, consideration to which it expects to be entitled.

## 45. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 45.24 Revenue recognition (Continued)

The following is a description of accounting policy for the revenue streams of the Group:

*(i)* *Revenue from oil shipment*

Freight revenue from oil shipment is mainly derived from the operation of international and domestic oil transportation business on voyage charter, recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

*(ii)* *Revenue from vessel chartering*

Revenue from vessel chartering are mainly derived from time charter of vessels recognised on a straight-line basis over the year of each charter.

*(iii)* Other revenue is recognised when the services are rendered.

*Other income*

(i) rental income arising from assets leased out under operating leases are recognised on a straight-line basis over the year of each lease;

(ii) interest income, on an accrual basis using the effective interest method;

(iii) dividend income, when the shareholders' right to receive payment has been established.

# CORPORATE INFORMATION

| | |
|---|---|
| Legal name: | 中遠海運能源運輸股份有限公司 |
| English name: | COSCO SHIPPING Energy Transportation Co., Ltd.* |
| Registered address: | Room A-1015, No. 188 Ye Sheng Road,<br>China (Shanghai) Pilot Free Trade Zone,<br>The People's Republic of China |
| Business address: | 670 Dongdaming Road,<br>Hongkou District, Shanghai,<br>The People's Republic of China |
| Postal Code: | 200080 |
| Tel: | (8621) 65967678 |
| Place of business in Hong Kong: | RMS 3601-3602, 36/F West Tower,<br>Shun Tak CTR 168-200 Connaught RD Central, Hong Kong |
| Legal representative: | Ren Yongqiang |
| Secretary of the Board: | Ni Yidan |
| Company Secretary: | Ni Yidan |
| Unified Social Credit Code: | 913100001322127340 |
| Principal bankers: | Bank of Communications<br>China Merchants Bank<br>Bank of China<br>Agriculture Bank of China<br>The Industrial and Commercial Bank of China<br>China Construction Bank |
| Hong Kong auditor: | PricewaterhouseCoopers<br>Certified Public Accountants and Registered PIE Auditor*<br>22/F, Prince's Building,<br>Central, Hong Kong |

| | |
|---|---|
| PRC auditor: | ShineWing Certified Public Accountants LLP<br>Fuhua Mansion, North AVE #8<br>Chaoyangmen, Dongcheng District,<br>Beijing, the PRC |
| Legal advisors: | Grandall Law Firm (Shanghai Office)<br>23-25th floor, Garden Square<br>968 West Beijing Road, Shanghai,<br>The People's Republic of China |
| | Paul Hastings<br>22/F Bank of China Tower, 1 Garden Road, Central, Hong Kong |
| H share registrar and transfer office: | Hong Kong Registrars Limited<br>Shops 1712-1716, 17th Floor, Hopewell Centre,<br>183 Queen's Road East, Hong Kong |
| Place of listing: | H shares<br>The Stock Exchange of Hong Kong Limited<br>Stock code: 01138 |
| | A shares<br>Shanghai Stock Exchange<br>Stock code: 600026 |
| Corporate information is available at | Office of the Board of Directors<br>COSCO SHIPPING Energy Transportation Co., Ltd.<br>7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai,<br>The People's Republic of China |
| Company's website: | https://energy.coscoshipping.com |

* For identification purposes only

# BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ren Yongqiang

Mr. Ren Yongqiang, born in December 1973, holds a doctoral degree in political economy and is a senior engineer. He is currently the Secretary of the Party Committee, an executive director, the chairman, the chairman of the Strategy Committee and a member of the Risk Control Committee of the Company. Mr. Ren served in the Transport Department of Tibet Autonomous Region, the Trading Department of Tibet Autonomous Region, the Ministry of Internal Trade, the Bureau of Internal Trade, the State Economic and Trade Commission, the State-owned Assets Supervision and Administration Commission of the State Council, China Shipping (Group) Company Limited and China COSCO SHIPPING Corporation Limited.

Zhu Maijin

Mr. Zhu Maijin, born in October 1970, holds a master's degree in management and is a senior captain. Mr. Zhu is currently an executive director, a member of the Strategy Committee and the President of the Company. Mr. Zhu served as the deputy general manager (acting general manager), the general manager of the Maritime Management Department and the assistant to general manager of China Shipping Development Co., Ltd. Tanker Company, the vice general manager of China Shipping Tanker Company Limited and the general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Wang Wei

Mr. Wang Wei, born in June 1971, holds a master's degree in engineering. He is currently a non-executive director and a member of the Strategy Committee of the Company, a director of each of COSCO SHIPPING Specialized Carriers Co., Ltd. (stock code: 601428.SH), COSCO SHIPPING Bulk Co., Ltd. and COSCO SHIPPING (North America) Co., Ltd., and a supervisor of COSCO SHIPPING Logistics Co., Ltd. He previously held various positions at China Ocean Shipping (Group) Company Limited and its subsidiaries. He was the head of organization department of China Ocean Shipping (Group) Company Limited and vice general manager of COSCO SHIPPING (Hong Kong) Co., Ltd. He also served as vice general manager of COSCO SHIPPING International (Hong Kong) Co., Ltd. (stock code: 00517.HK) from April 2018 to April 2022.

Wang Songwen

Ms. Wang Songwen, born in July 1969, holds a bachelor's degree in medicine and is a senior economist. She is currently a non-executive director and a member of the Strategy Committee of the Company, director of COSCO SHIPPING (Korea) Co., Ltd. and COSCO SHIPPING Investment Dalian Co., Ltd. She used to work at China Shipping (Group) Company (now known as China Shipping Group Company Limited) and its subsidiaries. She has successively served as the general manager of Container Management Department, Transshipment Department, Marketing Department III and Asia Pacific Department of China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd., Stock Code: 601866.SH and 02866.HK); the vice president of Operations Management Department of China Shipping (Group) Company; and vice president of China Shipping (Europe) Co., Ltd.. She also served as the vice president of COSCO SHIPPING (Europe) GmbH from June 2016 to May 2022.

Victor Huang

Mr. Victor Huang, born in May 1971, holds a bachelor's degree in economics and is a Hong Kong Institute of Certified Public Accountants member. He is currently an independent non-executive Director, the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration and Appraisal Committee of the Company. He serves as an independent non-executive director to Manpower Group Greater China Limited (stock code: 02180.HK), Scholar Education Group (stock code: 01769.HK), Topsports International Holdings Limited (stock code: 06110.HK), Qingdao Haier Biomedical Co., Ltd. (stock code: 688139.SH), Newtimes Energy (stock code: 00166.HK) and Shandong Hi-Speed New Energy Group Limited (stock code: 01250.HK and Giordano International Limited (stock code: 00709.HK)). Mr. Huang had been a former partner of PricewaterhouseCoopers and KPMG. He served as an independent non-executive director to Evergrande Property Services Group Limited (stock code: 06666.HK) from November 2020 to November 2021 and to LBX Pharmacy Chain Co., Ltd. (stock code: 603883.SH) from February 2021 to February 2024.

Li Runsheng

Mr. Li Runsheng, born in June 1952, holds a master's degree in public administration and is a professor-level senior economist. He is currently an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee and the Nomination Committee of the Company. He serves as an independent non-executive director of Lihuayi Weiyuan Chemical Co., Ltd (stock code: 600955.SH). Mr. Li had been the director of the Policy and Regulation Department of the former State Bureau of Petroleum and Chemical Industry, the Party Secretary and the deputy general manager of China Petroleum Refining and Sales Company, the director of the General Office, assistant to the general manager and deputy director of the Consulting Center of China National Petroleum Corporation, and a vice chairman, the deputy Party Secretary and the director to the Expert Committee of China Petroleum and Chemical Industry Federation. He served as an independent non-executive director to China Aviation Oil (Singapore) Corporation Limited (stock code: G92.SI) from April 2014 to September 2021.

Zhao Jinsong

Mr. Zhao Jinsong, born in November 1963, holds a PhD in Ship Science and Maritime Law and is a PRC lawyer, maritime arbitrator. He is currently an independent non-executive Director, the chairman of the Risk Control Committee, a member of the Strategy Committee and the Audit Committee of the Company. He serves as the president of Sanya Cruise Yacht Research Institute and the president of the Finance Research Institute of Shipping and Trade (Shibei District, Qingdao). Mr. Zhao had been an ocean freighter pilot, and worked in maritime law firms, including Hill Taylor Dickson and Holman Fenwick Willan in the United Kingdom and Lawrence K. Y. Lo & Co. in Hong Kong. He was a professor of maritime law at Koguan School of Law and professor of international maritime transportation at School of Naval Architecture, Ocean & Civil Engineering of Shanghai Jiao Tong University, the dean and a professor of the International Shipping Law School of East China University of Political Science and Law, the president of Qianhai Shengang Institute of International Finance (Shenzhen) Co., Ltd, the senior partner and lawyer to Allbright Law Offices, a professor to the Research Institute at School of Ocean Engineering of Harbin Institute of Technology, Shenzhen, and the director to Shenzhen branch center of National Engineering Research Center for Ship Navigation System of Dalian Maritime University. Mr. Zhao had been a visiting professor to many universities at home and abroad, a director of the law center of China Shipowners' Association, a director of China Shipbuilding Industry Fund Management Agency and a legal advisor of China Classification Society.

Wang Zuwen

Mr. Wang Zuwen, born in November 1955, holds a doctorate degree in engineering. He is currently an independent non-executive Director, the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee, the Audit Committee and the Risk Control Committee of the Company, and each of an independent director of Jinzhou Port Company Limited (stock code: 600190.SH) and Machinery industry Ninth Design Institute Co., Ltd. Mr. Wang had successively been an associate professor, a professor, a doctoral advisor and a vice chancellor of Harbin Institute of Technology and a professor and the chancellor of Dalian Maritime University.

Weng Yi

Mr. Weng Yi, born in July 1967, holds a master's degree in management, and is a senior captain and a professor-level senior engineer. He is currently the chairman of Supervisor Committee of the Company, the safety director and general manager of the Safety Supervision division of China COSCO Shipping Corporation Limited, the chairman of the Supervisor Committee of COSCO SHIPPING Bulk Co., Ltd., and the director of COSCO SHIPPING Ferry Co., Ltd. Mr. Weng served as a captain in Guangzhou Maritime Transport (Group) Co., Ltd., the deputy chief of the Sailing Department and the deputy chief of the Shipping Department of China Shipping Development Co., Ltd. Tramp Company, the deputy director of the Shipping Department of China Shipping (Group) Company Limited, the general manager of Zhuhai New Century Shipping Company Limited, the deputy general manager of China Shipping Development Co., Ltd. Tramp Company, the general manager of the Shipping Department and the general manager of the Operations Department of China Shipping (Group) Company Limited and a chief captain and general manager of the Safety Supervision department of China Shipping (Group) Company Limited.

Yang Lei

Mr. Yang Lei, born in December 1971, holds a bachelor's degree in law and is a senior economist. He is currently a supervisor of the Company and the vice president of COSCO Shipping (Australia) Limited. Mr. Yang served as the deputy general manager of Strategic Development Department of COSCO Container Lines Co., Ltd., the deputy general manager of Legal and Risk Management Department of China Ocean Shipping (Group) Company and the deputy general manager of Legal and Risk Management Department of China COSCO Shipping Corporation Limited.

Chen Hua

Ms. Chen Hua, born in May 1971, holds a master's degree of professional accounting and is a senior accountant. She is currently a senior commissioner of the Finance and Accounting Department of the Company and an employee representative supervisor of the Company. Ms. Chen served as the deputy director and the general manager of the Financial Department of China Shipping Development Co., Ltd. Tanker Company, the general manager of the Financial Department of China Shipping Development Co., Ltd. and the general manager of the Financial Department of the Company.

Wang Zhenming

Mr. Wang Zhenming, born in June 1978, holds a master's degree in management. He is currently the director of the Discipline Inspection Department/Supervision and Audit Department General Affairs Division/Supervision Division of the Company and an employee representative supervisor of the Company. Mr. Wang served as a secretary of Political Affairs Department and the Secretary of the Youth League Committee of Dalian Ocean Shipping Company, and the deputy director (presiding over the work) of the Discipline Inspection Department/Supervision and Audit Department General Affairs Division/Supervision Division of the Company.

Zhu Maijin

Mr. Zhu Maijin, born in October 1970, holds a master's degree in management and is a senior captain. Mr. Zhu is currently an executive director, a member of the Strategy Committee and the President of the Company. Mr. Zhu served as the deputy general manager (acting general manager), the general manager of the maritime management department and the assistant to general manager of China Shipping Development Co., Ltd. Tanker Company, the vice general manager of China Shipping Tanker Company Limited and the general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Qin Jiong

Mr. Qin Jiong, born in September 1968, is a marine captain. He is currently a vice president of the Company. Mr. Qin was formerly a marine captain of Shanghai Maritime Bureau, the deputy general manager of Container Transport Division I and the director of the Dock Planner Center of China Shipping Container Line Company Limited, the director of the Dock Planner Center of China Shipping (Europe) Holding GmbH, the deputy general manager and the general manager of Container Transportation Division II, the general manager of European Division of China Shipping Container Line Company Limited, the general manager of China Shipping (Netherlands) Agency Co., LTD., the general manager of China Shipping South American Holding Co., LTD., the general manager of the Operation Management Department of China Shipping Group Company Limited.

Yu Bozheng

Mr. Yu Bozheng, born in August 1964, holds a bachelor's degree in engineering and is a senior chief engineer. He is currently a vice president and general counsel of the Company. Mr. Yu served as the deputy general manager, the general manager of the maritime management department of China Shipping Development Co., Ltd. Tanker Company, the assistant to general manager, the vice general manager of China Shipping Tanker Company Limited and the vice general manager of COSCO SHIPPING Tanker (Shanghai) Co., Ltd.

Tian Chao

Mr. Tian Chao, born in May 1977, holds a doctorate degree in accounting and financial management and is a senior accountant, senior economic engineer, a certified public accountant of China, an Association of Chartered Certified Accountants (ACCA) member and a fellow of the Chartered Institute of Management Accountants (FCMA). He is currently the Chief Financial Officer of the Company, and has been the financial officer of the financial department of China Ocean Shipping (Group) Company, director and general manager of the financial department of Port Of Antwerp Co., Ltd., general manager of the financial department of COSCO SHIPPING (Europe) GmbH, as well as assistant to the president and general manager of the financial department of Piraeus Port Authority S.A.

Chen Jianrong

Mr. Chen Jianrong, born in November 1969, holds a bachelor's degree in engineering and is a senior captain. He is currently a vice president of the Company. Mr. Chen used to serve as the deputy chief of the Ship Management Department of China Shipping Development Co., Ltd. Tanker Company and China Shipping Tanker Company Limited, the chief of the Ship Management Department of China Shipping Tanker Company Limited, the chief of the Safety Supervision Department and the chief of the Ship Management Unit of the Company.

Ni Yidan

Ms. Ni Yidan, born in February 1985, holds a bachelor's degree in management, a senior economic engineer and a member of The Hong Kong Chartered Governance Institute. She is currently the Secretary of the Board of the Company and the Company Secretary. Ms. Ni was the manager assistant of the commercial division of production and operation department of China Shipping Development Co., Ltd. Tanker Company, deputy general of the public relations division and assistant director of the Board/Managing Director's Office, vice director (acting director) of Office of Board and manager of public relations division of the Company.

中遠海運能源運輸股份有限公司
COSCO SHIPPING Energy Transportation Co., Ltd.

地址/Add: 中華人民共和國上海市虹口區東大名路670號7樓
7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China
郵編/P.C.: 200080
電話/Tel : 86 21 6596 7678
傳真/Fax : 86 21 6596 6160
網址/Website: energy.coscoshipping.com