# COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.*
# 中遠海運能源運輸股份有限公司

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

**(Stock Code: 1138)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

**FINANCIAL HIGHLIGHTS**

- Revenues of the Group increased by approximately 19% to approximately RMB16,268 million
- Profit for the year attributable to equity holders of the Company increased by approximately 475% to approximately RMB2,381 million
- The basic and diluted earnings per share for 2020 were RMB52.00 cents and RMB51.96 cents respectively

The board (the "**Board**") of directors (the "**Directors**") of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

| | *Note* | **2020** *RMB'000* | 2019 *RMB'000* |
|---|---|---|---|
| Revenues | *4* | **16,268,197** | 13,721,140 |
| Operating costs | | **(12,386,553)** | (11,125,022) |
| Gross profit | | **3,881,644** | 2,596,118 |
| Other income and net gains | *5* | **12,100** | 146,480 |
| Marketing expenses | | **(56,192)** | (49,296) |
| Administrative expenses | | **(811,088)** | (876,990) |
| Reversal of/(provision for) impairment losses on financial and contract assets | | **5,508** | (3,208) |
| Other expenses | | **(25,925)** | (106,381) |
| Share of profits of associates | | **247,150** | 287,807 |
| Share of profits of joint ventures | | **690,558** | 427,085 |
| Finance costs | *6* | **(1,039,721)** | (1,419,627) |
| **Profit before tax** | | **2,904,034** | 1,001,988 |
| Income tax expense | *7* | **(272,590)** | (330,384) |
| **Profit for the year** | | **2,631,444** | 671,604 |
| **Other comprehensive loss** | | | |
| *Items that will not be reclassified to profit or loss, net of tax:* | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | | **52,594** | 96,092 |
| Remeasurement of defined benefit plan payable | | **4,026** | 2,980 |
| Exchange differences form retranslation of financial statements of subsidiaries, joint ventures and associates | | **12,222** | – |
| *Items that may be reclassified to profit or loss, net of tax:* | | | |
| Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates | | **(477,154)** | 147,039 |
| Net loss on cash flow hedges | | **(383,875)** | (320,272) |
| Hedging gain reclassified to profit or loss | | **111,471** | 50,517 |
| Share of other comprehensive profit/(loss) of associates | | **17,535** | (17,529) |
| Share of other comprehensive loss of joint ventures | | **(230,990)** | (107,171) |
| Remeasurement of investment properties | | **–** | 4,558 |
| Disposal of investment properties | | **(4,558)** | – |
| **Other comprehensive loss for the year** | | **(898,729)** | (143,786) |
| **Total comprehensive income for the year** | | **1,732,715** | 527,818 |

| | Note | **2020** | 2019 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Profit for the year attributable to:** | | | |
| Equity holders of the Company | | **2,381,415** | 413,857 |
| Non-controlling interests | | **250,029** | 257,747 |
| **Profit for the year** | | **2,631,444** | 671,604 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Company | | **1,604,171** | 386,391 |
| Non-controlling interests | | **128,544** | 141,427 |
| | | **1,732,715** | 527,818 |
| **Earnings per share** | *9* | | |
| – Basic (RMB cents/share) | | **52.00** | 10.26 |
| – Diluted (RMB cents/share) | | **51.96** | 10.26 |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2020*

| | **31 December 2020** *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investment properties | **10,387** | 50,714 |
| Property, plant and equipment | **48,497,144** | 49,160,894 |
| Right-of-use assets | **1,690,724** | 2,414,753 |
| Goodwill | **73,325** | 73,325 |
| Investments in associates | **2,772,302** | 2,355,055 |
| Investments in joint ventures | **3,286,382** | 3,186,957 |
| Loan receivables | **1,245,027** | 1,230,929 |
| Financial assets at fair value through other comprehensive income | **462,317** | 396,439 |
| Deferred tax assets | **42,776** | 45,165 |
| | **58,080,384** | 58,914,231 |
| **CURRENT ASSETS** | | |
| Current portion of loan receivables | **38,561** | 27,786 |
| Inventories | **859,472** | 774,260 |
| Contract assets | **632,043** | 469,614 |
| Trade and bills receivables | **668,509** | 937,682 |
| Prepayments, deposits and other receivables | **810,161** | 797,927 |
| Pledged bank deposits | **764** | 861 |
| Cash and cash equivalents | **4,869,963** | 3,919,500 |
| | **7,879,473** | 6,927,630 |
| **TOTAL ASSETS** | **65,959,857** | 65,841,861 |

| | 31 December 2020 *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Provision and other liabilities | **15,286** | 25,297 |
| Derivative financial instruments | **847,983** | 631,235 |
| Interest-bearing bank and other borrowings | **13,809,152** | 17,325,526 |
| Other loans | **977,193** | 1,089,247 |
| Bonds payable | **2,495,824** | 2,493,477 |
| Employee benefits payable | **164,218** | 187,499 |
| Lease liabilities | **1,699,996** | 2,145,306 |
| Deferred tax liabilities | **455,017** | 428,476 |
| | **20,464,669** | 24,326,063 |
| **CURRENT LIABILITIES** | | |
| Trade and bills payables | **1,610,104** | 1,922,313 |
| Other payables and accruals | **1,136,151** | 1,060,783 |
| Contract liabilities | **18,824** | 28,704 |
| Current portion of interest-bearing bank and other borrowings | **6,682,421** | 8,554,842 |
| Current portion of other loans | **44,562** | 43,443 |
| Current portion of employee benefits payable | **23,094** | 15,975 |
| Current portion of lease liabilities | **325,126** | 586,728 |
| Taxes payable | **52,560** | 135,404 |
| | **9,892,842** | 12,348,192 |
| **TOTAL LIABILITIES** | **30,357,511** | 36,674,255 |
| **EQUITY** | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | **4,762,692** | 4,032,033 |
| Reserves | **29,859,136** | 24,092,702 |
| | **34,621,828** | 28,124,735 |
| Non-controlling interests | **980,518** | 1,042,871 |
| **TOTAL EQUITY** | **35,602,346** | 29,167,606 |

*Notes:*

## 1. CORPORATE INFORMATION

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

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

(a) investment holding; and/or

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

(c) vessel chartering; and/or

(d) liquefied natural gas ("**LNG**") shipping and liquefied petroleum gas ("**LPG**") shipping.

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

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

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

These consolidated financial statements were approved for issue by the Board on 30 March 2021.

## 2. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2020 but are extracted from these financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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

– investment properties;

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

– derivative financial instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the year are accrued using tax rate that would be applicable to expected total earnings.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKFRS 3 (Amendments) | Definition of a Business | 1 January 2020 |
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material | 1 January 2020 |
| Revised Conceptual Framework | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| HKFRS 9, HKAS 39 and HKFRS 7 (Amendments) | Interest Rate Benchmark Reform | 1 January 2020 |
| HKFRS 16 (Amendments) | Covid-19-related Rent Concessions | 1 June 2020 |

### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2020 and have not been adopted by the Group. These standards and interpretations are not expected to have a material impact of the Group in the current or future reporting periods.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2022 |
| HKAS 16 (Amendments) | Property, Plant and Equipment: Proceeds before Intended Use | 1 January 2022 |
| HKAS 37 (Amendments) | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework | 1 January 2022 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| Annual improvements to HKFRS Standards 2018-2020 | | 1 January 2022 |

## 4. REVENUES AND SEGMENT INFORMATION

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

The Group's business segments are categorized as follows:

a. oil shipment

   – oil shipment

   – vessel chartering

b. LNG

c. others

   – Others mainly include LPG shipping.

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

## 4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

**Business segments**

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

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **Revenues** | **Contribution** | Revenues | Contribution |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| By principal activity: | | | | |
| Oil shipment | | | | |
| – Oil shipment | **13,608,089** | **3,013,119** | 11,223,943 | 1,721,032 |
| – Vessel chartering | **1,352,838** | **193,330** | 1,078,204 | 130,271 |
| | **14,960,927** | **3,206,449** | 12,302,147 | 1,851,303 |
| LNG | **1,266,743** | **662,585** | 1,321,364 | 712,522 |
| Others | **40,527** | **12,610** | 97,629 | 32,293 |
| | **16,268,197** | **3,881,644** | 13,721,140 | 2,596,118 |
| Other income and net gains | | **12,100** | | 146,480 |
| Marketing expenses | | **(56,192)** | | (49,296) |
| Administrative expenses | | **(811,088)** | | (876,990) |
| Reversal of/(provision for) impairment losses on financial and contract assets | | **5,508** | | (3,208) |
| Other expenses | | **(25,925)** | | (106,381) |
| Share of profits of associates | | **247,150** | | 287,807 |
| Share of profits of joint ventures | | **690,558** | | 427,085 |
| Finance costs | | **(1,039,721)** | | (1,419,627) |
| Profit before tax | | **2,904,034** | | 1,001,988 |

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

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

## 4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

| | **31 December 2020** *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| Total segment assets | | |
| Oil shipment | **51,845,833** | 51,622,800 |
| LNG | **13,117,400** | 13,413,037 |
| Others | **996,624** | 806,024 |
| | **65,959,857** | 65,841,861 |
| Total segment liabilities | | |
| Oil shipment | **21,361,993** | 27,206,955 |
| LNG | **8,990,598** | 9,437,799 |
| Others | **4,920** | 29,501 |
| | **30,357,511** | 36,674,255 |

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

As at 31 December 2020, the total net carrying amount of the Group's oil tankers, LNG vessels and LPG vessels were RMB37,623,611,000 (31 December 2019: RMB36,964,619,000), RMB8,304,052,000 (31 December 2019: RMB9,159,126,000) and RMBnil (31 December 2019: RMB106,173,000) respectively.

## 4. REVENUES AND SEGMENT INFORMATION (CONTINUED)

**Geographical segments**

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **Revenues** *RMB'000* | **Contribution** *RMB'000* | Revenues *RMB'000* | Contribution *RMB'000* |
| By geographical area: | | | | |
| Domestic | **5,425,735** | **1,498,852** | 5,033,071 | 1,255,558 |
| International | **10,842,462** | **2,382,792** | 8,688,069 | 1,340,560 |
| | **16,268,197** | **3,881,644** | 13,721,140 | 2,596,118 |
| Other income and net gains | | **12,100** | | 146,480 |
| Marketing expenses | | **(56,192)** | | (49,296) |
| Administrative expenses | | **(811,088)** | | (876,990) |
| Reversal of/(provision for) impairment losses on financial and contract assets | | **5,508** | | (3,208) |
| Other expenses | | **(25,925)** | | (106,381) |
| Share of profits of associates | | **247,150** | | 287,807 |
| Share of profits of joint ventures | | **690,558** | | 427,085 |
| Finance costs | | **(1,039,721)** | | (1,419,627) |
| Profit before tax | | **2,904,034** | | 1,001,988 |

During the years ended 31 December 2020 and 2019, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

**Other information**

| | **Oil shipment** *RMB'000* | **LNG** *RMB'000* | **Others** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | |
| Additions to non-current assets | 4,380,960 | 386,539 | – | 4,767,499 |
| Depreciation and amortisation | 2,693,251 | 307,852 | 3,340 | 3,004,443 |
| Impairment of vessels | 840,941 | – | – | 840,941 |
| Gains/(losses) on disposal of property, plant and equipment, net | 1,076 | (9) | – | 1,067 |
| Interest income | 74,541 | 26,543 | 560 | 101,644 |
| **Year ended 31 December 2019** | | | | |
| Additions to non-current assets | 1,778,510 | 386 | 2,145 | 1,781,041 |
| Depreciation and amortisation | 2,559,236 | 308,036 | 6,268 | 2,873,540 |
| Losses on disposal of property, plant and equipment, net | (902) | – | – | (902) |
| Interest income | 77,027 | 26,236 | 519 | 103,782 |

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 2020 and 2019.

## 5. OTHER INCOME AND NET GAINS

| | For the year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Government subsidies *(Note)* | **39,993** | 66,414 |
| Interest income from loan receivables | **45,019** | 68,654 |
| Bank interest income | **56,625** | 35,128 |
| Dividends received from financial assets at FVOCI | **12,675** | 10,850 |
| Rental income from investment properties | **1,056** | 5,509 |
| Others | **(9,616)** | (46,889) |
| | **145,752** | 139,666 |
| Other (losses)/gains | | |
| Losses on disposal of shares in subsidiaries | **(40,504)** | (7,926) |
| Losses on disposal of investment properties, net | **(3,513)** | – |
| Exchange (losses)/gains, net | **(104,834)** | 6,623 |
| Gains/(losses) on disposal of property, plant and equipment, net | **1,067** | (902) |
| Losses on revaluation of investment properties, net | **–** | (122) |
| Others | **14,132** | 9,141 |
| | **(133,652)** | 6,814 |
| | **12,100** | 146,480 |

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

## 6. FINANCE COSTS

| | For the year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Total finance costs** | | |
| Interest expenses on: | | |
| – bank loans and other loans and borrowings | **744,259** | 1,109,136 |
| – corporate bonds | **129,147** | 193,469 |
| – interest rate swaps: cash flow hedges, reclassified from other comprehensive income | **111,471** | 50,517 |
| – lease liabilities | **98,678** | 118,019 |
| – exchange gain, net | **(43,834)** | (51,514) |
| | **1,039,721** | 1,419,627 |

During the Reporting Period, no interest expense is capitalised (for the year ended 31 December 2019: nil).

## 7. INCOME TAX EXPENSE

| | | For the year ended 31 December | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Current income tax | | | |
| PRC | *(i)* | | |
| – provision for the year | | **255,381** | 229,954 |
| – adjustments for current tax of prior periods | | **2,155** | (544) |
| Hong Kong | | | |
| – provision for the year | | **713** | 944 |
| – adjustments for current tax of prior periods | | **–** | 609 |
| Other districts | *(ii)* | | |
| – provision for the year | | **1,398** | 515 |
| | | **259,647** | 231,478 |
| Deferred tax | | **12,943** | 98,906 |
| Total income tax expense | | **272,590** | 330,384 |

*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% (2019: 25%) except for those entities with tax concession.

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

## 8. DIVIDENDS

| | For the year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Final dividend for 2019 – RMB0.04 (31 December 2019: Final dividend for 2018 – RMB0.02) per share | **190,508** | 80,641 |

Final dividend of RMB0.04 per share in respect of the year ended 31 December 2019 was approved by shareholders at the annual general meeting held on 22 June 2020 and a total amount of RMB190,508,000 was paid during the Reporting Period.

At the Board meeting held on 30 March 2021, the Directors proposed a final dividend of RMB952,538,000 representing RMB0.2 per share, in respect of the year ended 31 December 2020. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed, and has not been recognised as a liability at the end of the year.

## 9. EARNINGS PER SHARE

### (a) Basic

| | For the year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to equity holders of the Company *(RMB'000)* | **2,381,415** | 413,857 |
| Weighted average number of ordinary shares in issue *(thousand)* | **4,580,027** | 4,032,033 |
| Basic earnings per share *(RMB cents/share)* | **52.00** | 10.26 |

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

### (b) Diluted

| | For the year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to equity holders of the Company *(RMB'000)* | **2,381,415** | 413,857 |
| Weighted average number of ordinary shares in issue *(thousand)* | **4,580,027** | 4,032,033 |
| Adjustments for share options *(thousand)* | **3,159** | – |
| Weighted average number of ordinary shares for diluted earnings per share *(thousand)* | **4,583,186** | 4,032,033 |
| Diluted earnings per share *(RMB cents/share)* | **51.96** | 10.26 |

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.

## II. MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group is mainly engaged in international and domestic coastal shipping of crude and product oil, international LNG transportation and international chemical transportation.

In terms of fleet size, the Group is the world's largest oil tanker owner. As of 31 December 2020, the Group owned and controlled 160 oil tankers with a total capacity of 23.72 million Dead Weight Tonnage ("**DWT**"), including 150 self-owned oil tankers with a capacity of 20.97 million DWT, 10 chartered-in oil tankers with a capacity of 2.75 million DWT and 7 oil tankers with a capacity of 1.315 million DWT in order block. The Group is also a leading player in the coastal crude oil and product oil transportation industry in the PRC. In the coastal crude oil transportation sector, the Group has maintained its position as an industry leader and a market share of over 55%. After completing of the acquisition of product oil tanker fleet of PetroChina in March 2018, the Group has become a flagship in the coastal product oil transportation market.

The Group's tanker operation model mainly includes spot market chartering, time chartering, signing contracts of affreightment ("**COA**") with cargo owners, joining associated operating entities ("**POOL**") and other various ways involving use of its self-owned and controlled vessels. The Group stands out globally with its complete types of vessels, 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 its customers with whole-process logistics solutions involving materials import in international markets, transshipping and lightering in domestic trade, product oil transports and exports and downstream chemicals transportation, etc., to provide customers with means to reduce costs and therefore realize win-win cooperation.

The international tanker industry emerged from the oil trade as a result of the different geographical distribution of major oil producing and consuming areas. Seaborne shipping is the most efficient and cost-effective way to transport the greatest volume of petroleum. The international oil tanker transportation industry has three characteristics. Firstly, direction of cargo flow is relatively homogenous with fixed layout of routes. Compared with other water transport services, oil shipping tends to involve a higher proportion of one-way ballast voyages and lower utilisation of load capacity. This pattern is more obvious in crude oil shipping than product oil shipping and in large oil tankers than small and medium oil tankers. Secondly, the risk of safety issues and oil pollution is greater, and major oil companies have special inspection mechanisms. More than 80% of the tanker terminals and 85-90% of the oil products in the world are in the hands of major oil companies. The oil tanker companies engaged in international business may not provide transportation services to these oil companies unless they pass the inspection of the vessel management conditions by these oil giants. Therefore, vessel management expertise is one of the core competitiveness of international oil tanker companies. Thirdly, tanker freight rates are more closely impacted by international political and economic factors and are thus highly volatile. The reason lies in the high correlation between the transported goods-oil and the international politics and economy. In the past two decades, TD3 (Middle East-Far East) route for very large crude carrier ("**VLCC**") recorded the lowest daily Time Charter Equivalent ("**TCE**") of USD12,800/day in 2011, and recorded the highest daily TCE of USD105,000/day in 2008, with a difference of more than 7 times.

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

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Group holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As of 31 December 2020, the Group had a total of 41 jointly-invested LNG vessels, including 38 LNG vessels in operation with an aggregate capacity of 6,420,000 cubic meters and 3 LNG vessels under construction with an aggregate capacity of 522,000 cubic meters.

LNG is the abbreviation of Liquefied Natural Gas, which is formed by liquefaction of natural gas at an ultralow temperature (-163°C), and its volume is 1/625 of natural gas with the same mass. LNG can greatly save storage and transportation space. The LNG industrial chain involves massive funding and intensive technologies covering the entire supply chain of the natural gas industry. The natural gas extracted from onshore or offshore oil fields is pretreated and liquefied at liquefaction facilities. The LNG produced is transported by sea or by other means to the LNG receiving terminals for storage according to the trade contracts, and is then re-gasified and delivered to end users through pipelines. Currently, seaborne LNG transportation volume accounts for more than 80% of the world's LNG transported volume. The characteristics of the LNG transportation industry are as follows. Firstly, the LNG carriers have been recognised internationally as "three high" products with high technology, high difficulty and high value added, and are thus expensive. LNG transportation has higher requirements for ship management; therefore, the LNG shipping market is highly concentrated. Secondly, due to the closed loop of the LNG industrial chain, the majority of vessels among the global LNG fleet are bound to particular LNG projects ("**Project Vessels**"), the most of which involve long-term time charters with the project parties so that charter incomes and investment yields are often stable.

As of the end of 2020, all of the 41 LNG carriers the Group invested in are project vessels, which means that they are all bound to particular LNG projects with long-term time charters signed with project parties, and hence generate stable income. In recent years, as the LNG carriers, of which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

In the overall business structure of the Group, profitability of coastal (domestic trade) oil transportation business and LNG transportation business is generally stable, providing a "safety cushion" for the Group's operating results; and the international (foreign trade) oil transportation business is subject to large volatility following market freight rates, resulting in the cyclical elasticity in the Group's operating results.

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

### *(1) International oil shipping market*

In 2020, the sharp decline in economic activities weakened the demand for petroleum products due to the impact of the COVID-19 epidemic. Global oil demand was approximately 92.29 million barrels per day, a decrease of approximately 8.78% compared to 2019. As the Organization of the Petroleum Exporting Countries Plus ("**OPEC+**") sharply increased production in April 2020, prompting the plunge of crude oil prices, a deeper premium in the oil futures market, surged petroleum trade and inventories and nearly saturated onshore oil storage capacity, supply of global oil tankers falls short of demand and the freight rates of oil tankers therefore soared. The phased production cut plan of OPEC+ has had an impact on oil trade and oil transportation demand since May 2020, resulting in a decline in freight rates. In the second half of the year, owing to effective epidemic prevention and control, oil demand in Asia gradually recovered. However, as global oil demand recovered slowly due to the resumption of quarantine measures in Europe and the United States, refineries had limited willingness to process and oil inventories were significantly higher than those of 2019. In addition, the high implementation rate of the OPEC+ production cut made the demand for tanker transportation suppressed on an ongoing basis. As the forward premium of crude oil narrowed, the capacity of tankers performing oil storage business gradually returned to the market, accelerating the fundamentals of oversupply. The international oil transportation market remained weak.

In terms of tanker supply, 37 VLCCs were delivered and only 4 were demolished, while demolishment of other types of tankers was below expectation in 2020. The supply proportion of older tankers remained at a historical high with the VLCCs of more than 20 years accounting for nearly 7% of such type of tankers, representing the highest proportion in the past 17 years. Due to the uncertainty of environmental regulations and the future direction of shipbuilding technology, tanker owners are more cautious in placing orders, and the number of new orders fell year-on-year.

In 2020, the freight rates of international tankers continued to be sluggish in the second half of the year after experiencing severe fluctuations in the first half of the year. VLCC TD3C (Middle East-China) route recorded an average TCE of approximately USD48,179 per day throughout the year, representing a year-on-year increase of approximately 22%, and the TCE of major routes of other types of tankers increased by approximately 6%- 46% year-on-year.

### *(2) Domestic oil shipping market*

In 2020, the domestic oil shipping market remained stable in general. As the COVID-19 epidemic was effectively contained in China from the second quarter and travel restrictions were gradually lifted, domestic oil demand improved significantly. Against the backdrop of falling international oil prices and the recovery of domestic oil demand, crude oil imports of China grew rapidly, driving the transshipment demand for coastal crude oil. The production of offshore oil fields stimulated the demand for offshore crude oil. The domestic transportation market of refined oil declined and then rose in the first half of the year, and the fundamentals of supply and demand stabilized in the second half of the year.

### *(3) LNG shipping market*

In 2020, the global LNG trade volume reached approximately 357 million tonnes, representing an increase of approximately 0.7% as compared to 2019.

In 2020, although the global LNG demand was affected by the quarantine measures due to the epidemic, LNG demand surged due to the benefit from cold wave in Asia in the fourth quarter. The annual LNG trade volume was higher compared to that of the same period of last year. At the same time, the process of global clean energy promoted natural gas power generation, which in turn supported the recovery of LNG trade.

As of the end of 2020, the global LNG fleet consisted of a total of 644 LNG carriers (including LNG bunkering vessels, FSRUs, FSUs and FLNG vessels) with a total capacity of approximately 96.10 million cubic meters, representing an increase of 35 carriers, or approximately 54.22 million cubic meters, compared with those of the same period of last year.

## 3. Review of operating results during the Reporting Period

As at the end of December 2020, the Group held and controlled 160 oil tankers with 23.72 million DWT, representing a year-on-year increase of 9 vessel with 2.01 million DWT; of all the jointly-invested LNG vessels, 38 vessels with 6,420,000 cubic meters were put into operation, representing a year-on-year increase of 3 vessels with 520,000 cubic meters. In 2020, the Group realised a transportation volume (excluding time charters) of 160.645 million tonnes with a year-on-year increase of 6.85%, transportation turnover (excluding time charters) of 486.062 billion tonne-nautical miles with a year-on-year increase of 10.27%, revenues from principal operations of RMB16.268 billion with a year-on-year increase of 18.6%, cost of principal operations of RMB11.546 billion with a year-on-year increase of 3.8%, and gross profit margin increased by 10.1 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB2.381 billion with a year-on-year increase of 475.4%, and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of RMB6.948 billion with a year-on-year increase of 31.2%.

In 2020, facing the complex external environment and the sensitive and volatile shipping market, the Group mainly focused on the following aspects and achieved better operating results. First, we carefully deployed the epidemic prevention and control measures to ensure the smooth operation of our fleet. Second, we reasonably allocated the tonnage deployment to effectively improve the operating results of international oil shipping. Third, we solidly strengthened the cargo profile to make the market share of domestic oil shipping remain stable with positive momentum. Fourth, we actively engaged in integrated voyages of domestic and international trade to optimize efficiency of fleet operations. Fifth, we spared no efforts on developing LNG shipping projects to further strengthen our stable and profitable segment. Sixth, we completed the non-public issuance of shares to raise approximately RMB5.1 billion, supporting the counter-cyclical development of our oil tanker fleet.

### *(1) Revenue from principal operations*

In 2020, overall details of the Group's principal operations in terms of cargoes and geographical regions were as follows:

*Principal operations by products transported*

| **Industry or Cargo** | **Revenue** | **Operating costs** | **Gross profit margin** | **Increase/ (decrease) in revenue as compared with 2019** | **Increase/ (decrease) in operating costs as compared with 2019** | **Increase/ (decrease) in gross profit margin as compared with 2019** |
|---|---|---|---|---|---|---|
| | *(RMB'000)* | *(RMB'000)* | *(%)* | *(%)* | *(%)* | *(percentage points)* |
| Domestic crude oil | 2,923,545 | 1,895,599 | 35.2 | 14.5 | 8.9 | 3.4 |
| Domestic refined oil | 2,372,843 | 1,934,193 | 18.5 | 1.9 | 0.5 | 1.2 |
| Domestic vessel chartering | 103,755 | 87,826 | 15.4 | (5.1) | 9.6 | (11.3) |
| **Domestic Oil Shipping Sub-Total** | 5,400,143 | 3,917,618 | 27.5 | 8.2 | 4.6 | 2.5 |
| International crude oil | 7,223,514 | 5,239,441 | 27.5 | 31.7 | 5.6 | 17.9 |
| International refined oil | 1,088,187 | 986,500 | 9.3 | 27.0 | 12.6 | 11.6 |
| International vessel chartering | 1,249,083 | 769,978 | 38.4 | 28.9 | (11.3) | 27.9 |
| **International Oil Shipping Sub-Total** | 9,560,784 | 6,995,919 | 26.8 | 30.7 | 4.3 | 18.5 |
| **Oil Shipping Sub-Total** | 14,960,927 | 10,913,537 | 27.1 | 21.6 | 4.4 | 12.0 |
| **International LNG Shipping** | 1,266,743 | 604,157 | 52.3 | (4.1) | (0.8) | (1.6) |
| **Domestic LPG Shipping** | 25,592 | 9,266 | 63.8 | (40.9) | (70.3) | 35.8 |
| **International LPG Shipping** | 14,935 | 18,652 | (24.9) | (72.5) | (45.4) | (62.0) |
| **Total** | 16,268,197 | 11,545,612 | 29.0 | 18.6 | 3.8 | 10.1 |

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

*Principal Operations by Geographical Regions*

| Regions | Revenue | Operating costs | Gross profit margin | Increase/ (decrease) in revenue as compared with 2019 | Increase/ (decrease) in operating costs as compared with 2019 | Increase/ (decrease) in gross profit margin as compared with 2019 |
|---|---|---|---|---|---|---|
| | *(RMB'000)* | *(RMB'000)* | *(%)* | *(%)* | *(%)* | *(percentage points)* |
| Domestic shipping | 5,425,735 | 3,926,884 | 27.6 | 7.8 | 4.0 | 2.7 |
| International shipping | 10,842,462 | 7,618,728 | 29.7 | 24.8 | 3.7 | 14.3 |
| **Total** | 16,268,197 | 11,545,612 | 29.0 | 18.6 | 3.8 | 10.1 |

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

*Self-operated transportation volume and transportation volume turnover*

| **Transportation volume** | **2020** ***('000 tonnes)*** | 2019 *('000 tonnes)* | Increase/(decrease) *(%)* | **2020** ***(billion tonne–nautical miles)*** | 2019 *(billion tonne–nautical miles)* | Increase/(decrease) *(%)* |
|---|---|---|---|---|---|---|
| Domestic crude oil | **57,166.3** | 52,975.2 | 7.9 | **19.65** | 17.04 | 15.3 |
| Domestic refined oil | **22,874.5** | 22,439.9 | 1.9 | **19.90** | 21.02 | (5.3) |
| **Domestic Oil Shipping Sub-Total** | **80,040.8** | 75,415.2 | 6.1 | **39.55** | 38.07 | 3.9 |
| International crude oil | **70,715.4** | 65,986.1 | 7.2 | **413.84** | 376.13 | 10.0 |
| International refined oil | **9,713.8** | 8,592.0 | 13.1 | **32.58** | 26.37 | 23.6 |
| **International Oil Shipping Sub-Total** | **80,429.2** | 74,578.1 | 7.8 | **446.42** | 402.50 | 10.9 |
| **Oil Shipping Sub-Total** | **160,470.0** | 149,993.2 | 7.0 | **485.97** | 440.56 | 10.3 |
| **LPG Shipping** | **175.0** | 356.8 | (51.0) | **0.09** | 0.22 | (61.6) |
| **Total:** | **160,645.0** | 150,350.0 | 6.8 | **486.06** | 440.79 | 10.3 |

### *(2) Shipping business – Oil and Gas Shipping*

*International oil shipment business:*

In 2020, the Group accurately judged the market trend amid volatility in the international tanker market, so that the operating results of the international tanker fleet improved substantially year-on-year: revenue from international oil shipping reached RMB9.561 billion with a year-on-year increase of 30.7%; gross profit for the segment achieved RMB2.565 billion with a year-on-year increase of 321.9%, and its gross profit margin hit 26.8% with a year-on-year increase of 18.5%. Operational highlights of the international tanker fleet are as follows:

(1) We closely studied the market, adjusted dry-docking plans, and increased transport capacity at market highs. During the Reporting Period, we adjusted the repair schedule of 9 VLCCs to increase operating days totaling 333 days in the boom market to maximize overall operating efficiency.

(2) We developed incremental markets in South America and entered into COA with key customers to acquire quality cargo for VLCC long-haul voyages; we developed new overseas customers and cooperated with them on spot trade, which enriched our international customer resources; and we opened new Aframax routes from Canada to China and from the US Gulf to Europe to continue expansion of our global business presence.

(3) We dynamically adjusted the deployment of transport capacity according to the changes in domestic and abroad oil transportation market to improve operating efficiency of the fleets and accordingly, the Group performed 39 shipments with domestically and internationally connected tanker services.

*Domestic oil shipping business:*

In 2020, the Group recorded domestic oil shipping revenue of RMB5.40 billion with a year-on-year increase of 8.2%, gross profit of RMB1.483 billion with a year-on-year increase of 19.2%, and gross profit margin of 27.5% with a year-on-year increase of 2.5%. Operational highlights are as follows:

(1) Our market share recorded a steady increase as we developed a number of major emerging customers in the domestic market and broadened our cargo profile in the Reporting Period, which consolidated our leading position in domestic oil shipping market. During the Reporting Period, the Group's market share of domestic oil shipping has increased year-on-year.

(2) We improved logistics efficiency of crude oil imports for customers by offering new logistics solutions and we improved adequacy of tanker services for customers' designated routes by making full use of the advantages of all vessel types, thereby creating value for customers while improving efficiency.

(3) We maintained good relationship with emerging private refineries in the domestic market to play an active role in their refined oil transportation; we entered into COA with major domestic customers to acquire stable and quality cargoes; we improved operating efficiency of fleets via business collaboration with COSCO PetroChina SHIPPING, which made full use of the upswing opportunities in the second quarter.

*LNG shipping business*

In 2020, the Group realized a profit before tax from the LNG shipping segment of RMB786 million with a year-on-year increase of 30.26%, and an investment income of RMB662 million with a year-on-year increase of 47.70%. Operational highlights are as follows:

(1) LNG shipping projects developed steadily. As at the end of the Reporting Period, the Group had a total of 38 jointly-invested project LNG carriers in operation, amounting to a year-on-year increase of 3 vessels, supporting the steady growth of the segment performance. We continued to promote the development of potential LNG shipping projects to support the "secondary development curve" pedalled on pace.

(2) Shanghai LNG, a wholly-owned subsidiary of the Company, COSCO PetroChina SHIPPING Co., Ltd., a holding subsidiary of the Company with 51% stake and Glasford Shipping (Hong Kong) Limited, a wholly-owned subsidiary of PetroChina International (Hong Kong) Co., Ltd. set up a joint venture engaging in LNG transportation project, for which 3 LNG carriers of 174,000 cubic meters capacity were built. Through the project, the Group collaborated with reputable cargo owners and shipyards in shaping a LNG industry chain ecosystem that promotes shared prosperity and further elevates our business stability and anti-cyclical resilience.

## 4. Costs and expenses analysis

In 2020, the Group's cost from principal operations was approximately RMB12.387 billion, representing a year-on-year increase of 11.3%:

The cost composition of the Group's principal operations for 2020 is as follows:

| Item | **2020** *(RMB'000)* | 2019 *(RMB'000)* | Increase/ (decrease) *(%)* | **Composition in 2020** *(%)* |
|---|---|---|---|---|
| Continuing operations | | | | |
| Fuel costs | **3,083,442** | 3,174,443 | (2.9) | **24.9** |
| Port costs | **798,154** | 759,942 | 5.0 | **6.4** |
| Sea crew cost | **1,697,440** | 1,633,565 | 3.9 | **13.7** |
| Lubricants expenses | **327,083** | 258,534 | 26.5 | **2.6** |
| Depreciation | **2,926,756** | 2,787,199 | 5.0 | **23.6** |
| Insurance expenses | **205,261** | 176,435 | 16.3 | **1.7** |
| Repair expenses | **576,180** | 523,634 | 10.0 | **4.7** |
| Charter cost | **1,257,296** | 1,214,272 | 3.5 | **10.2** |
| Others | **674,000** | 596,999 | 12.9 | **5.4** |
| **Sub-Total** | **11,545,612** | 11,125,022 | 3.8 | **93.2** |
| Vessel impairment loss | **840,941** | – | – | **6.8** |
| **Total** | **12,386,553** | 11,125,022 | 11.3 | **100.0** |

Due to the recovery of the international oil tanker market in the second half of 2019, the drydocking schedules of some vessels were postponed to 2020. During the Reporting Period, the vessel drydocking increased by 20 shipments year-on-year, resulting in a year-on-year increase in the repair expenses.

During the Reporting Period, the Group introduced a total of eight new oil tankers, resulting in a year-on-year increase in the fees for shipping materials.

The Group measured the voyage speeds under the efficiency optimization model based on the specific vessel voyages to determine and monitor bunker fuel consumption, and recorded a year-on-year decrease of 7% in unit fuel consumption (total fuel consumption/ transportation volume). Meanwhile, the Group paid close attention to the fuel market and adopted an operation model for procurement combining fixed, floating and spot pricing, so as to effectively keep the fuel cost in control.

Affected by the epidemic, demand for oil consumption is slowly recovering, the fundamentals of oversupply in the oil transportation market have not yet been fundamentally improved. With regard to 10 aged foreign trade vessels of the Group, they face problems such as high energy consumption, many hidden dangers in safety management, and high greenhouse gas and sulfur oxide emissions, whose profitability was further constrained during downturn in the oil transportation market. The Group recognised an impairment provision of approximately RMB841 million for the 10 aged foreign trade vessels in the fourth quarter of 2020.

## 5. Operating results of the joint ventures and the associates

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

| **Company name** | **Interest held by the Group** | **Shipping volume** | **Operating revenue** | **Net profit** |
|---|---|---|---|---|
| | | *(billion tonne-nautical miles)* | *(RMB'000)* | *(RMB'000)* |
| CLNG | 50% | 72.70 | 1,050,461 | 941,609 |

(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-nautical miles)* | *(RMB'000)* | *(RMB'000)* |
| Shanghai Beihai Shipping Company Limited | 40% | 15.35 | 1,589,050 | 559,277 |

## 6. Financial analysis

### *(1) Net cash generated from operating activities*

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB6,973,111,000, representing an increase of approximately 33.32% as compared to approximately RMB5,230,362,000 for the year ended 31 December 2019.

### *(2) Capital commitments*

| | Note | **31 December *2020* RMB'000** | 31 December *2019* RMB'000 |
|---|---|---|---|
| Authorized and contracted but not provided for: | | | |
| Construction and purchases of vessels | *(i)* | **5,382,212** | 6,156,464 |

*Note:*

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

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB43,168,000 (31 December 2019: RMB246,703,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMBnil (31 December 2019: RMB1,516,348,000).

### *(3) Capital Structure*

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

The Group's net debt-to-equity ratio as at 31 December 2020 and 31 December 2019 is as follows:

| | **31 December 2020** *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| **Total debts** | **26,034,274** | 32,238,569 |
| Less: cash and cash equivalents | **(4,869,963)** | (3,919,500) |
| Net debt | **21,164,311** | 28,319,069 |
| Total equity | **35,602,346** | 29,167,606 |
| Net debt-to-equity ratio | **59%** | 97% |

As at 31 December 2020, the balance of cash and cash equivalents amounted to RMB4,869,963,000, representing an increase of RMB950,463,000 and by 24% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2020, the Group's net gearing ratio (i.e. net debts over total equity) was 59%, which was lower than 97% as at 31 December 2019. The decrease was primarily due to the funds raised by the Company's completion of the non-public issuance of A shares and repayment of parts of bank borrowings during the Reporting Period.

### *(4) Trade and bills receivables and contract assets*

| | **31 December 2020** *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| Trade and bills receivables from third parties | **450,899** | 764,870 |
| Trade receivables from a joint venture | **35** | 132 |
| Trade receivables from fellow subsidiaries | **16,942** | 7,910 |
| Trade receivables from related companies *(Note)* | **211,935** | 197,331 |
| | **679,811** | 970,243 |
| Less: allowance for doubtful debts | **(11,302)** | (32,561) |
| | **668,509** | 937,682 |
| Current contract assets relating to oil shipment contracts | **636,761** | 473,262 |
| Less: allowance | **(4,718)** | (3,648) |
| Total contract assets | **632,043** | 469,614 |

*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 2020, trade and bills receivables and contract assets of RMB686,523,000 (31 December 2019: RMB706,628,000) 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 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **514,041** | 619,775 |
| 4 – 6 months | **73,717** | 124,636 |
| 7 – 9 months | **31,587** | 68,726 |
| 10 – 12 months | **28,788** | 47,863 |
| 1 – 2 years | **19,984** | 63,443 |
| Over 2 years | **392** | 13,239 |
| | **668,509** | 937,682 |

***(5) Trade and bills payables***

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade and bills payables to third parties | **937,020** | 1,204,403 |
| Trade payables to fellow subsidiaries | **662,178** | 699,865 |
| Trade payables to an associate | **5,353** | 5,860 |
| Trade payables to related companies *(Note)* | **5,553** | 12,185 |
| | **1,610,104** | 1,922,313 |

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

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

As at 31 December 2020, trade and bills payables of RMB647,465,000 (31 December 2019: RMB728,198,000) 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 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **1,257,446** | 1,239,218 |
| 4 – 6 months | **61,626** | 276,028 |
| 7 – 9 months | **30,439** | 51,804 |
| 10 – 12 months | **13,382** | 68,396 |
| 1 – 2 years | **38,010** | 69,741 |
| Over 2 years | **209,201** | 217,126 |
| | **1,610,104** | 1,922,313 |

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

### *(6) Derivative financial instruments*

As at 31 December 2020, the Group had interest rate swap agreements with total notional principal amount of approximately USD527,507,000 (equivalent to RMB3,441,930,000) (31 December 2019: approximately USD546,631,000 (equivalent to RMB3,813,407,000)) which will mature in 2031, 2032 and 2033 (31 December 2019: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

For the year ended 31 December 2020, the floating interest rates of the bank borrowings were 3-month London Inter-bank offered Rated ("**LIBOR**") plus 2.20% (31 December 2019: 3-month LIBOR plus 2.20%).

### *(7) Interest-bearing bank and other borrowings*

| | **31 December 2020** *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| **Current liabilities** | | |
| **(i) Bank borrowings** | | |
| Secured | **1,303,003** | 1,298,978 |
| Unsecured | **5,346,418** | 5,022,864 |
| | **6,649,421** | 6,321,842 |
| **(ii) Other borrowings** | | |
| Unsecured | **33,000** | 2,233,000 |
| Interest-bearing bank and other borrowings – current portion | **6,682,421** | 8,554,842 |
| **Non-current liabilities** | | |
| **(i) Bank borrowings** | | |
| Secured | **12,851,065** | 15,124,697 |
| Unsecured | **848,237** | 2,057,979 |
| | **13,699,302** | 17,182,676 |
| **(ii) Other borrowings** | | |
| Unsecured | **109,850** | 142,850 |
| Interest-bearing bank and other borrowings – non-current portion | **13,809,152** | 17,325,526 |

As at 31 December 2020, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2019: 45) vessels with total net carrying amount of RMB23,326,942,000 (31 December 2019: RMB25,869,196,000).

As at 31 December 2020, secured bank borrowings of RMB14,033,368,000 (31 December 2019: RMB16,274,975,000) and unsecured bank borrowings of RMB6,194,655,000 (31 December 2019: RMB7,080,843,000) are denominated in USD.

### *(8) Bonds payable*

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

| | **31 December 2020** *RMB'000* | 31 December 2019 *RMB'000* |
|---|---|---|
| At the beginning of the year | **2,493,477** | 3,989,691 |
| Interest charge | **2,347** | 3,786 |
| Less: principal repayment | **–** | (1,500,000) |
| | **2,495,824** | 2,493,477 |
| Non-current portion | **2,495,824** | 2,493,477 |

### *(9) Contingent liabilities*

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

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB53,504,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

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

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 31 December 2020, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB41,759,000).

(iii) Subsequent to the approval by shareholder at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to RMB2,463,150,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single vessel Companies with the amount of Euro4.5 million (equivalent to approximately RMB36,113,000). The guarantee period is limited to the lease period.

***(10) Foreign exchange risk management***

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

As at 31 December 2020, 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 RMB12,173,000 higher/lower (31 December 2019: RMB23,287,000 higher/lower), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables, payables and borrowings.

***(11) Interest rate risk management***

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2020 and 31 December 2019.

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 2020, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been RMB93,214,000 lower/higher (31 December 2019: RMB109,969,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

## 7. Others

### *Fleet expansion projects*

In 2020, the Group achieved further fleet expansion.

In 2020, the cash outflow from investment activities of the Group, including the payments for construction and purchase of new vessels, vessel reconstruction, capital increases and loans for associates and joint ventures of the Group, was approximately RMB5.857 billion including capital expenditure, of which approximately RMB4.552 billion was paid for the vessel construction progress and purchase of new vessels.

In terms of fleet expansion, 10 new oil tankers with a total capacity of approximately 1,734,000 DWT and 3 new jointly-invested LNG vessels with total capacity of approximately 522,000 cubic meters were delivered for use in 2020.

As at December 31, 2020, the specific composition of the Group's fleet was as follows:

| | Vessels in operation | | | Vessels under construction | |
|---|---|---|---|---|---|
| | **Number** | DWT/cubic meters '0000 | **Average age** | **Number** | DWT/cubic meters '0000 |
| **Holding subsidiaries of the Group** | | | | | |
| Oil tanker | 150 | 2,097 | 9.8 | 7 | 131.5 |
| LNG carrier | 6 | 105 | 3.4 | 3 | 52.2 |
| **Sub-total** | 156 | 2,097/105 | 9.6 | 10 | 131.5/52.2 |
| **Long-term charter-in** | | | | | |
| Oil tanker | 10 | 275 | 11.4 | | |
| **Sub-total** | 10 | 275 | 11.4 | | |
| **Joint ventures** | | | | | |
| Oil tanker | 13 | 81 | 8.6 | 1 | 1.5 |
| LNG carrier | 32 | 537 | 4.1 | 3 | 51.8 |
| **Sub-total** | 45 | 81/537 | 5.4 | 4 | 1.5/51.8 |
| **Total** | 211 | 2,453/642 | 8.8 | 14 | 133/104 |

*Epidemic prevention and control*

In 2020, facing the severe challenges posed by the COVID-19 epidemic, the Group strictly deployed epidemic prevention and control measures on vessels to ensure the overall stability of production and operation; and coordinated with all parties in the industrial chain to jointly guarantee crew changes and safeguard the legitimate rights and interests of crew members. As of the end of March 2021, the Group ensured "zero imported cases" and "zero infection" of vessels, and all its fleets realized crew changes (excluding newly delivered vessels).

In terms of epidemic prevention and control on vessels, the Group deployed epidemic prevention measures on vessels incrementally according to the development trends of the epidemic, and dispatched vessels through compiling the Epidemic Information Bulletin on a regular basis to ensure that front-line crew members kept abreast of the development of the epidemic and understood the epidemic prevention requirements of the Company. Meanwhile, the Group actively coordinated the resources of all parties to ensure sufficiency of anti-epidemic supplies for vessels. Starting from April 2020, anti-epidemic supplies for vessels have changed from emergency equipment to normalized distribution, and the distribution channels have also changed from initially domestic distribution to global distribution.

In terms of crew changes, the Group closely tracked the development of the epidemic and the management and control policies for crew changes domestically and abroad, formulated crew change plans in accordance with the principles of "making policies on a port-by-port basis" and "one vessel, one policy", and adjusted the plans in a timely manner in response to the development of the epidemic. By carrying out a dynamic trend analysis on the extension of crew service, the Group closely tracked the extension of crew service with a focus on the crew members who served for a considerable period of time abroad. It coordinated the resources of all parties to realize crew changes.

In October 2020, the Group carefully assessed the development trend of the epidemic in cold weather, and completed crew changes of all self-owned vessels by the end of December 2020, effectively reducing the frequency of crew changes during the peak epidemic seasons of winter and spring. The Group formulated the "Implementation Plan for Nine Measures of Caring for Crew During the Epidemic" based on the action plan of "caring for the crew for safety of the ship". As of the end of March 2021, the Group has paid service extension allowances to around 1,200 crew members with a total amount of approximately RMB10 million. Meanwhile, the Group also developed a family assistance plan for the families of crew members who have served abroad for more than a year. According to the plan, the Company purchased "anti-epidemic health kits" for the families of crew members whose service was extended, sent condolence letters and condolence payments to their families, and organized crew companies and crew wives stations to visit families of crew members in difficulty, in an effort to help their families deal with difficulties in life.

Starting from February 2021, all crew members of the Group are required to receive COVID-19 vaccination before boarding vessels. As of the end of March 2021, the percentage of vaccinated crew members on board of the Group's own vessels was approximately 11.7%. It is anticipated that by September 2021, the Group will achieve full coverage of vaccinations for crew members on board of its own vessels.

The Group will continue to play its leading role in the industry to provide support for the health and safety of its crew and ensure the smooth operation of its fleets.

## 8. Outlook and highlights for 2021

### *(1) Competitive landscape and trends in the industry*

*International oil shipping market*

After experiencing the impact of the COVID-19 epidemic in 2020, global oil demand will gradually recover with the popularization of vaccination. OPEC+ will continue to implement the production reduction plan and evaluate and adjust the supply policy. The seaborne oil trade volume will be suppressed in the short term. A slowdown in the growth of crude oil exports from the United States has reduced the demand for long-haul transportation, and it is difficult to support the tonne-mile demand of tankers in the short term. Despite the rapid recovery of oil demand in Asia, the recovery of the international aviation industry and industrial activities was still lagging behind, the demand for petrol, diesel, aviation kerosene and other petroleum products and refining profits still lag far behind as compared with pre-epidemic demand levels. The operating rates of refineries in Europe and the United States are still low. The digestion of oil inventories will also take time. In the short term, changes in the OPEC+ export volume will become an important factor affecting the trend of the oil shipping market.

In terms of tonnage supply, as crude oil forward discount suppresses the demand for oil storage, effective tonnage has been released to return to the market, exacerbating the oversupply of tankers in the spot market. However, continuously sluggish freight rates and high fuel costs, combined with the catalysis of environmental protection policies, will make it more difficult for old tankers to operate. With a rebound in shipbreaking revenue, old tonnage is expected to accelerate its withdrawal from the market. Meanwhile, the delivery of new vessels is expected to remain low in the next two years, and the net growth rate of tonnage supply is expected to slow down.

Although the international oil shipping market will face a challenging start this year, as the global COVID-19 vaccine rollout continues, economic activities will gradually resume as the epidemic is brought under control, which in turn will drive a gradual pickup in the global oil demand. With the continuous optimization of the supply side, we believe that the long-term landscape of the international oil shipping market will continue to improve.

*Domestic oil shipping market*

With the exploitation and production of offshore oil, the domestic demand for offshore oil transportation is expected to increase year-by-year. Benefiting from the advancement of domestic refining-chemical integration projects, petrochemical production capacity in China will continue to grow, which will promote domestic crude oil transshipment demand. However, considering the construction of large terminals and the replacement of part of pipeline transportation, the crude oil transshipment market will generally remain stable in the next two years.

The commissioning of large-scale refining and chemical integration projects will also increase the demand for product oil transportation. With the changes in the sales landscape of product oil, the demand trends for larger vessels for transportation and for shorter voyages will become more obvious. Transportation flows will become more abundant, and market competition will become more intense.

*LNG shipping*

Benefiting from the decarbonization goals of many countries, the demand for LNG in the power and industrial sectors will remain strong, and the global LNG trade volume is expected to maintain a growth trend. As of the end of 2020, the global LNG liquefaction capacity was approximately 448 million tonnes/year, and is expected to reach nearly 575 million tonnes/year by 2025.

Asia will continue to be the driven power of LNG import growth. Although LNG imports by Japan and South Korea will decline with the restart of nuclear power plants, with the transformation of the global energy structure and the continuous development of LNG-related infrastructure, LNG imports by China are expected to grow further, leading LNG import demand in Asia.

In terms of tonnage supply, as of the end of 2020, there were orders for a total of 149 LNG vessels worldwide, among which 95 are expected to be delivered from 2021 to 2022. During this period, concentrated order delivery and limited liquefaction capacity growth will lead to an oversupply situation in the LNG transportation market in the short term. It is anticipated that from 2023, with the successive commissioning of LNG export projects, the supply and demand structure of the LNG transportation market will be greatly improved.

***(2) Development strategies of the Company***

Facing the "14th Five-Year Plan", the Group will firmly adhere to the corporate vision of "being an excellent leader in global energy transportation" and "delivering energy to the world" by upholding 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 adhere to the general keynote of seeking progress while maintaining stability, promote high-quality development, implement the new development concept, refine the concept and system, and practically improve the standard of corporate management; take LNG and new energy transportation as the second development curve of the Group, accelerate and prioritize the development of LNG business, so as to become a global top-tier player. The Group will accurately grasp the cyclical trends in the shipping and capital markets to realize the "two-wheel drive" of production and capital operations. While seeking a technical leading-edge under the new industry rules, we strive to build our brand image as a "leader in sustainable development".

***(3) Operational plans***

In 2021, the Group expects to have 6 oil tankers delivered, with 1.265 million DWT. It is expected that there will be 166 oil tankers in operation during the year, totalling 24.985 million DWT, and 38 LNG vessels, totalling 6.422 million cubic meters (including joint ventures, associates and long-term chartered-in vessels).

According to the conditions of the domestic and international shipping market in 2021, combined with the Group's fleet expansion, the main operating targets of the Group in 2021 are as follows: completing a transportation volume of 597.8 billion tonne-nautical miles, generating an expected operating income of RMB14.12 billion and incurring operating costs of RMB11.73 billion.

### *(4) Work initiatives of the Company*

2021 marks the first year of the "14th Five-Year Plan". Given the global economic uncertainties in the wake of the COVID-19 epidemic as well as the opportunities and challenges brought about by the development of the oil and gas industry chain, the Group will set higher standards to achieve improved operational efficiency and corporate management and to embark upon a new era of high-quality development. The Group will mainly focus on the following tasks:

International oil tanker transportation: With an efficient and rational market allocation mechanism as the core, we will give full play to the operational advantages of our global routes and plan our capacity layout and operating methods reasonably in tune with the market. At the same time, we will optimize the positioning of our global network and strengthen our role in creating regional efficiencies.

Domestic oil transportation: The Group will consolidate its leading position in the operating mode and capacity structure of its domestic fleet size, deepen all-round cooperation with strategic customers and emerging private refineries, and expand its cargo profile in the domestic market.

LNG transportation business: The Group will accelerate the implementation of LNG shipping projects, strive for independent development of LNG and new energy transportation projects, so as to continue to augment the "safety cushion of benefits" of LNG; steadily promote the team-building of LNG ship management companies and ship crew, so as to lay the foundation for the development of LNG shipping projects and enhance the core competitiveness of the LNG transportation segment; take the signing of the letter of intent for VLEC cooperation as a breakthrough to keep close track of the opportunities in the new energy transportation market.

Safety management: The Group will strengthen the daily safety control of vessels and improve shore-based pre-control management to ensure the safety of fleet operations; continue to optimize the "three-in-one" safety management model and the "united high-level" fleet management system, highlighting the implementation of responsibilities and enhancing the awareness of ship and shore safety; deepen the implementation of the "caring for the crew members for the safety of the ships" action plan by strengthening epidemic prevention and control on ships and among crew members, and enhancing the occupational health management of crew members.

Cost control: The Group will put the concept of "cost wins" into practice , highlight key cost control initiatives and devise reasonable control objectives and measures. The Group will procure bunker fuel at spot and fixed pricing and adjust the procurement plan based on market changes; calculate and execute the best voyage speed, and accurately control bunker fuel consumption so as to reduce and control fuel cost. The Group will centralize procurement of ship supplies and coordinate the distribution of supplies in accordance with specific voyage arrangements, so as to reduce the operation cost. To control finance costs, the Group will reduce finance interest expenses and improve efficiency of the working capital.

Digital construction: The Group will empower business development with digitalization by enhancing operational and management efficiency. The Group will build a data management platform to form a unified technical support system; promote system optimization and data governance to enhance informatization capability; and develop smart applications around the three dimensions of operating needs, vessel management needs and commercial innovation needs.

Green development: The Group will strive to optimize the control of energy efficiency in the entire process of vessel transportation and operation, reasonably reduce the fuel consumption of vessels and improve energy efficiency; keep abreast of the latest technology for energy-saving, lay out a plan for ship carbon emissions management, and study and refine proposals to comply with IMO (International Maritime Organization) requirements on emissions reduction.

Talent development: The Group considers talent as the primary resource for high-quality corporate development. The Group will focus on cultivating a talent pool comprising international, professional and young talents for the quality development of the Company. To achieve this goal, the Group will set up a regular rotation mechanism for overseas talents, strengthen the team-building of professional talents and organize and implement a talent development program for young elites.

ESG management: Under the guidance of the Board, the Group will explore and establish an environmental, social and governance ("**ESG**") management system that is in line with the actual operations of the Group, strengthen top-level coordination and planning, realize the organic integration of multi-standard system and ESG concepts, and embed digitalization into institutional construction, so as to comprehensively enhance corporate governance standard and efficiency.

## 9. Other significant events

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

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

### *(2) Medical insurance scheme*

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

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

### *(3) Pension and Enterprise annuity schemes*

*(i) PRC (other than Hong Kong)*

Pension scheme

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group's retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent approximately to 16% (2019: 19% to 20%) of the basic salaries of the Group's employees. The Group also received a reduction in social security contributions related to COVID-19 during the Reporting Period, which was recognised as reduction to the related expenses. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB3,965,000 (2019: RMB33,024,000).

Enterprise annuity scheme

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

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as employer's contributions in 2020 amounted to RMB28,095,000 (2019: RMB31,576,000).

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

*(ii) Hong Kong*

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the Reporting Period amounted to RMB211,000 (2019: RMB220,000).

***(4) Incentive Scheme***

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

As of 31 December 2020, 21 participants with a total of 6.099 million share options were invalid due to retirement, resignation, etc., and the number of participants of the Incentive Scheme was adjusted to 112 from 133, the number of share options was adjusted to 29,361,000 from 35,460,000.

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

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

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

As at 31 December 2020, the Directors, Supervisors and chief executive(s) of the Company who had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") were as follows:

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

| Name of Director | Class of shares(1) | Number of shares held(2) | Approximate percentage of the total number of shares of the relevant class | Approximate percentage of the total number of issued shares |
|---|---|---|---|---|
| Liu Hanbo (“**Mr. Liu**”)(3) | A | 475,000(L) | 0.0137% | 0.00997% |
| Zhu Maijin (“**Mr. Zhu**”)(4) | A | 416,000(L) | 0.0120% | 0.00873% |
| Zhao Jinsong | H | 6,000(L) | 0.00046% | 0.00013% |

*Notes:*

(1) A – A Shares
H – H Shares

(2) L – Long position

(3) This represents Mr. Liu’s entitlement to purchase up to 475,000 shares of the Company pursuant to the exercise of 475,000 share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

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

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

| Name of associated corporation | Name of Director/ Supervisor | Nature of interest | Class of shares | Number of shares held | Approximate percentage of the number of shares of the relevant class of the relevant associated corporation | Approximate percentage of the total number of issued shares of the relevant associated corporation |
|---|---|---|---|---|---|---|
| COSCO SHIPPING Holdings Co., Ltd. | Mr. Teo Siong Seng | Beneficial owner | H | 150,000 (L) | 0.00581% | 0.00122% |
| | Mr. Yang Lei | Beneficial owner | H | 28,000(L) | 0.00109% | 0.00023% |
| COSCO SHIPPING Development Co., Ltd. | Mr. Yang Lei | Beneficial owner | H | 213,000(L) | 0.00579% | 0.00183% |
| COSCO SHIPPING Ports Limited | Mr. Yang Lei | Beneficial owner | Ordinary shares | 26,597(L) | 0.00080% | 0.00080% |
| COSCO SHIPPING International (Hong Kong) Co., Ltd. | Mr. Yang Lei | Beneficial owner | Ordinary shares | 660,000(L) | 0.04305% | 0.04305% |

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

As at 31 December 2020, save as disclosed above, none of the Directors, Supervisors and chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

### *(7) Compliance with the Corporate Governance Code*

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

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020.

As provided for in code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Teo Siong Seng, an independent non-executive Director, was unable to attend the annual general meeting held on 22 June 2020 (the "**2020 AGM**") due to prior commitments. Mr. Liu Zhusheng and Mr. Zhao Jinsong attended the 2020 AGM as designate directors, and other three directors designate Mr. Zhang Qinghai, Mr. Victor Huang and Mr. Li Runsheng attended via telephone; Mr. Feng Boming, Mr. Zhang Wei, and Ms. Lin Honghua, each a non-executive director, and Mr. Ruan Yongping and Mr. Ip Sing Chi, each an independent non-executive director, were absent from the 2020 AGM since they had proposed resignation.

The Company will keep its corporate governance practices under continuous review to ensure their consistent implementation and will continue to improve its practices having regard to the latest developments including any new amendments to the Corporate Governance Code.

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

### *(8) Audit Committee*

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

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

### *(9) Remuneration and Appraisal Committee*

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

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

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

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

### *(11) Employees*

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

As at 31 December 2020, the Company had 7,398 (31 December 2019: 6,929) employees. During the Reporting Period, the total staff costs was approximately RMB2,720 million (2019: approximately RMB2,547 million).

***(12) Publication of annual results on the website of the Stock Exchange***

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

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2020 and 2019, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the Reporting Period, which will contain an unqualified auditors' report, will be delivered to the Companies Registry of Hong Kong, and delivered to shareholders as well as made available on the Company's website at http://energy.coscoshipping.com.

By order of the Board
**COSCO SHIPPING Energy Transportation Co., Ltd.**
**Liu Hanbo**
*Chairman*

Shanghai, People's Republic of China
30 March 2021

*As at the date of this announcement, the Board comprises Mr. Liu Hanbo and Mr. Zhu Maijin as executive directors, Mr. Zhang Qinghai and Mr. Liu Zhusheng as non-executive directors, Mr. Rui Meng, Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng and Mr. Zhao Jinsong as independent non-executive directors.*

* *For identification purposes only*