THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **COSCO SHIPPING Energy Transportation Co., Ltd.***, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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)

(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

金聯資本 Goldlink Capital

Capitalized terms used in this cover page have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 35 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 65 of this circular. A notice convening the EGM on Tuesday, 28 December 2021 at 10:00 a.m. at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China, together with the form of proxy, is set out on pages EGM-1 to EGM-4 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. The form of proxy should be returned to the H share registrar of the Company, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

7 December 2021

* *For identification purposes only*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"A share(s)"	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (Stock Code: 600026)
"A Shareholder(s)"	holder(s) of A share(s)
"Articles of Association"	the articles of association of the Company as amended, revised or supplemented from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"China Shipping"	China Shipping Group Company Limited* (中國海運集團有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of COSCO SHIPPING and a controlling shareholder of the Company
"Company"	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 PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1138) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600026)
"connected person"	has the meaning ascribed thereto under the Listing Rules
"COSCO SHIPPING"	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
"COSCO SHIPPING Finance"	COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司), a company established under the laws of the PRC with limited liability, which is controlled by COSCO SHIPPING
"COSCO SHIPPING Group"	COSCO SHIPPING and its subsidiaries (excluding the Group)
"Crew Services"	the crew services under the Existing Sea Crew Framework Agreement and the 2021 Sea Crew Framework Agreement

"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China on Tuesday, 28 December 2021 to, among other things, consider and if thought fit, the 2021 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder
"Existing Financial Services Framework Agreement"	the financial services framework agreement dated 12 November 2018 entered into between the Company and COSCO SHIPPING in relation to the provision and receipt of financial services
"Existing Lease Framework Agreement"	the property lease framework agreement dated 12 November 2018 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of property and land use right leasing services
"Existing Sea Crew Framework Agreement"	the sea crew framework agreement dated 12 November 2018 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of sea crew services
"Existing Services Framework Agreement"	the services framework agreement dated 12 November 2018 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of certain services
"Existing Shipping Materials and Services Framework Agreement"	the shipping materials and services framework agreement dated 12 November 2018 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of shipping materials and services
"Existing Trademark License Agreement"	the trademark license agreement dated 1 January 2021 entered into between the Company and COSCO SHIPPING in relation to the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING upon terms and conditions
"Group"	the Company and its subsidiaries and associates
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"H share(s)"	H share(s) of par value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange (Stock Code: 1138)

"H Shareholder(s)"	holder(s) of H share(s)
"Independent Board Committee"	the independent board committee of the Board consisting of all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder
"Independent Financial Adviser"	Goldlink Capital (Corporate Finance) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, and the transactions and the proposed annual caps contemplated thereunder
"Independent Shareholders"	the Shareholders other than COSCO SHIPPING, China Shipping and their respective associates
"independent third party(ies)"	individual(s) or company(ies) and their respective beneficial owner(s) which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons
"Latest Practicable Date"	2 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Leasing Services"	the leasing services under the Existing Leasing Framework Agreement and the 2021 Leasing Framework Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Miscellaneous Services"	the miscellaneous services under the Existing Services Framework Agreement and the 2021 Services Framework Agreement
"PBC"	the People's Bank of China (中國人民銀行)
"PRC" or "China"	the People's Republic of China

"RMB"	Renminbi yuan, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks in Shanghai Stock Exchange
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Shipping Materials and Services"	the shipping materials and services under the Existing Shipping Materials and Services Framework Agreement and the 2021 Shipping Materials and Services Framework Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"2021 Financial Services Framework Agreement"	the financial services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to the provision and receipt of financial services
"2021 Framework Agreements"	the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement, the 2021 Services Framework Agreement, the 2021 Lease Framework Agreement, and the 2021 Trademark License Agreement
"2021 Lease Framework Agreement"	the property lease framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of property and land use right leasing services
"2021 Sea Crew Framework Agreement"	the sea crew framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of sea crew services
"2021 Services Framework Agreement"	the services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of certain services

"2021 Shipping Materials and Services Framework Agreement"	the shipping materials and services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of shipping materials and services
"2021 Trademark License Agreement"	the trademark license agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING upon terms and conditions
"%"	per cent

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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)

Executive Directors:
Ren Yongqiang *(Chairman)*
Zhu Maijin *(President)*

Non-executive Directors:
Zhang Qinghai
Liu Zhusheng

Independent non-executive Directors:
Teo Siong Seng
Victor Huang
Li Runsheng
Zhao Jinsong
Wang Zuwen

Registered Office:
Room A-1015
No. 188 Ye Sheng Road
China (Shanghai) Free Trade Port Area, PRC

Principal place of business in the PRC:
7th Floor, 670 Dongdaming Road
Hongkou District, Shanghai, PRC

Principal place of business in Hong Kong:
RMS 3601-3602
36/F West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

7 December 2021

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 12 November 2021 in relation to, among others, the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of each of the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, and the transactions and the proposed annual caps contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, and the transactions and the proposed annual caps contemplated thereunder; (iv) the notice of convening the EGM; and (v) other information as required under the Listing Rules.

BACKGROUND INFORMATION

References are made to the announcements of the Company dated 12 November 2018 and 17 December 2018 and the circular of the Company dated 30 November 2018, in connection with, among other things, (i) the Existing Financial Services Framework Agreement, (ii) the Existing Shipping Materials and Services Framework Agreement, (iii) the Existing Sea Crew Framework Agreement, (iv) the Existing Services Framework Agreement and (v) the Existing Lease Framework Agreement. The Company and COSCO SHIPPING also entered into the Existing Trademark License Agreement on 1 January 2021.

In respect of the 2021 Financial Services Framework Agreement

Pursuant to the Existing Financial Services Framework Agreement, COSCO SHIPPING Finance agreed to provide the Group with a range of financial services including (i) deposit services, (ii) loan services, (iii) settlement services, (iv) foreign exchange services, and (v) other financial services as approved by CBIRC. The term of the Existing Financial Services Framework Agreement will expire on 31 December 2021.

On 12 November 2021 (after trading hours), the Company and COSCO SHIPPING entered into the 2021 Financial Services Framework Agreement, pursuant to which COSCO SHIPPING shall procure COSCO SHIPPING Finance, a company controlled by COSCO SHIPPING, to provide the Group with similar services under the Existing Financial Services Framework Agreement for the three years ending 31 December 2024.

In respect of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement

Pursuant to the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, the Crew Services and the Miscellaneous Services. The terms of each of the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement will expire on 31 December 2021.

On 12 November 2021 (after trading hours), the Company and COSCO SHIPPING entered into (i) the 2021 Shipping Materials and Services Framework Agreement, pursuant to which the Company and COSCO SHIPPING will provide to each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, (ii) the 2021 Sea Crew Framework Agreement, pursuant to which COSCO SHIPPING (and/or the associates of COSCO SHIPPING) will provide to the Group with the Crew Services, and (iii) the 2021 Services Framework Agreement, pursuant to which COSCO SHIPPING (and/or the associates of COSCO SHIPPING) will provide to the Group with the Miscellaneous Services. The term of each of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement, and the 2021 Services Framework Agreement will expire on 31 December 2024.

In respect of the 2021 Lease Framework Agreement

Pursuant to the Existing Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with the Leasing Services. The term of the Existing Lease Framework Agreement will expire on 31 December 2021.

On 12 November 2021 (after trading hours), the Company and COSCO SHIPPING entered into the 2021 Lease Framework Agreement, pursuant to which the Company and COSCO SHIPPING will provide to each other's group (and/or the associates of COSCO SHIPPING) with the Leasing Services for the three years ending 31 December 2024.

In respect of the 2021 Trademark License Agreement

Pursuant to the Existing Trademark License Agreement, COSCO SHIPPING granted the non-exclusive license to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING. The term of the Existing Trademark License Agreement will expire on 31 December 2021.

On 12 November 2021 (after trading hours), the Company and COSCO SHIPPING entered into the 2021 Trademark License Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive license to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for a term from 1 January 2022 to 31 December 2024.

2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date:	12 November 2021 (after trading hours)
Parties:	COSCO SHIPPING (as provider of services)
	The Company (as recipient of services)

Pricing Policy

Under the 2021 Financial Services Framework Agreement:

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

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

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

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

Internal Control Measures

To ensure sufficient protection of the Shareholders' interest, the Company will adopt, including but not limited to, the following internal control procedures in connection with its utilization of the financial services provided by COSCO SHIPPING Finance:

(a) Before the Group places any deposits which has a term of three months or more, enters into any loan agreements or any financial services agreements with COSCO SHIPPING Finance, the Company will obtain at least three quotations from independent financial institutions for similar type of services (for instance, in respect of loan services, a loan of the same duration or the same nature);

(b) In respect of services with transaction amounts less than RMB1 million, quotations of such services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review and approval;

(c) In respect of services with transaction amounts equal to or more than RMB1 million, quotations of such services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review. The chief financial officer of the Company will then seek approval from the general manager of the Company or the Board, as appropriate, on whether to accept COSCO SHIPPING Finance's offer;

(d) All borrowings from COSCO SHIPPING Finance will be conducted in accordance with the terms approved by the chief financial officer, the general manager or the Board, as appropriate;

(e) The Company will report to the independent non-executive Directors every six months on:

(i) the loan or credit facilities agreements entered into with COSCO SHIPPING Finance together with information on the comparable quotations obtained from the independent commercial banks; and

(ii) any changes in the credit ratings of COSCO SHIPPING Finance during the preceding six-month period; and

(f) The Company will monitor the status of the deposits on a monthly basis through the internet banking services provided by COSCO SHIPPING Finance.

To manage the risks of the Group in utilizing the financial services provided by COSCO SHIPPING Finance, the 2021 Financial Services Framework Agreement requires COSCO SHIPPING Finance:

(a) To take appropriate measures to ensure the security of its information technology system is secured with security level commensurate with other commercial banks;

(b) To comply with risk management protocols and guidelines promulgated by the CBIRC and the relevant laws and regulations;

(c) To provide to the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC;

(d) To provide to the Company a copy of the monthly financial statements of COSCO SHIPPING Finance in the following month;

(e) To obtain the approval of the Company prior to engaging in investment of long term securities; and

(f) To inform the Company of any material adverse event and to take appropriate measures to prevent the occurrence or to minimize the impact of the material adverse event.

Historical Transaction Amounts

Pursuant to the Existing Financial Services Framework Agreement, the annual caps of the deposit services for the three financial years ending 31 December 2021 are RMB9,000 million, RMB10,000 million and RMB11,000 million, respectively, and the annual caps of the loan services for the three financial years ending 31 December 2021 are RMB2,000 million, RMB2,000 million and RMB2,000 million, respectively.

The table below sets forth the historical transaction amounts of the financial services provided by COSCO SHIPPING Finance to the Company and its subsidiaries for the two years ended 31 December 2020 and the six months ended 30 June 2021 under the Existing Financial Services Framework Agreement:

	For the year ended 31 December 2019 *(RMB'000)* (audited)	**For the year ended 31 December 2020** *(RMB'000)* (audited)	**For the six months ended 30 June 2021** *(RMB'000)* (unaudited)
Deposit Services			
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance	2,740,407	3,216,186	3,188,274
Loan Services			
Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance	Nil	Nil	Nil

As far as the Directors are aware, the annual caps for the year ending 31 December 2021 under the Existing Financial Services Framework Agreement had not been exceeded as at the Latest Practicable Date.

Annual Caps

The annual caps for the three years ending 31 December 2024 for the below continuing connected transactions under the 2021 Financial Services Framework Agreement are as follows:

	For the year ending 31 December 2022 *(RMB'000)*	For the year ending 31 December 2023 *(RMB'000)*	For the year ending 31 December 2024 *(RMB'000)*
Deposit Services			
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance	9,000,000	9,000,000	9,000,000
Loan Services			
Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance	3,000,000	3,000,000	3,000,000

In arriving at such annual caps, the Directors have considered the following factors:

(a) the historical figures of the aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance for the two years ended 31 December 2020 and the six months ended 30 June 2021;

(b) the historical figures of the aggregate maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance to the Group for the two years ended 31 December 2020 and the six months ended 30 June 2021. Notwithstanding that no loan services has been granted by COSCO SHIPPING Finance during the two financial years ended 2020 and the six months ended 30 June 2021, taking into account the downturn of world economy and the prolonged COVID-19 pandemic, the annual caps for the loan services under the 2021 Financial Services Framework Agreement enable the Group to ensure sufficient source of funding to safeguard against any liquidity and currency risk in the forthcoming years;

(c) the Group's expectation of its capital needs for the period from now up to 31 December 2024. To maintain the Company's leading position in the coastal crude oil and product oil transportation industry in the PRC, the fleet size of the Group is expected to be expanded in the forthcoming three years ending 31 December 2024, and it is expected that the new oil tankers will be due and settled in the coming three years ending 31 December 2024, therefore there is a demand for deposit services for the settlement of such vessels. In addition, it is the Company's intention to centralize the cash deposits of its subsidiaries and joint ventures (if feasible) in order to increase its management efficiency in the future. Hence, it is expected that there is a substantially increasing demand of the Group for the deposit services under the 2021 Financial Services Framework Agreement for the period from now up to 31 December 2024; and

(d) COSCO SHIPPING Finance's financial ability.

In considering COSCO SHIPPING Finance's financial ability in the provision of the financial services, the Board has checked the continuing validity of COSCO SHIPPING Finance's license issued by CBIRC and considered a report prepared by COSCO SHIPPING Finance based on the relevant financial statements and the strategy and development plans of COSCO SHIPPING Finance.

Payment Terms

The payment terms are dependent on the type of financial services to be provided and are determined at the time when such financials services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of financial services.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Financial Services Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Financial Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

Reasons for and Benefits of Entering into the 2021 Financial Services Framework Agreement

The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business.

The Board believes that by securing deposit and loan services from COSCO SHIPPING Finance for the three years ending 31 December 2024 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks. The terms and conditions provided by COSCO SHIPPING Finance under the 2021 Financial Services Framework Agreement are no less favorable to the Group than those provided by independent third parties.

Furthermore, the Group is not restricted under the 2021 Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be based on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's services if the service quality provided continues to be competitive. Having such flexibility afforded under the 2021 Financial Services Framework Agreement, the Group is able to better manage its current capital and cashflow position. In addition, it is also expected that COSCO SHIPPING Finance will provide more efficient foreign exchange and settlement services to the Group, as compared to independent third party banks.

Further considering that (i) COSCO SHIPPING Finance is a company controlled by COSCO SHIPPING, which is a wholly state-owned enterprise; and (ii) the Company and COSCO SHIPPING Finance will adopt the internal control measures referred to in the paragraph headed "The 2021 Financial Services Framework Agreement – Internal Control Measures", the Group expects that it would not be exposed to high credit risks for depositing with COSCO SHIPPING Finance.

In light of the above circumstances, the Directors consider the terms of the 2021 Financial Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

THE 2021 SHIPPING MATERIALS AND SERVICES FRAMEWORK AGREEMENT, THE 2021 SEA CREW FRAMEWORK AGREEMENT AND THE 2021 SERVICES FRAMEWORK AGREEMENT

To facilitate the cooperation between the Group and the COSCO SHIPPING Group and to allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other, COSCO SHIPPING and the Company have entered into the 2021 Shipping Materials and Services Framework Agreement, in relation to the provision and receipt of the Shipping Materials and Services. The reason for the bilateral arrangement in relation to the 2021 Shipping Materials and Services Framework Agreement is mainly because when the vessel from one group is at a place where it is not able or not economical to receive such supplies or services from its own group due to geographical or other limitations, it may purchase such supplies or services from the other group according to actual circumstances. Such bilateral arrangement can benefit both groups to reduce their operational costs and achieve synergy.

To make full advantages of the premium services to be offered by the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING), COSCO SHIPPING and the Company have entered into the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, pursuant to which the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide to the Group with the Crew Services and the Miscellaneous Services.

2021 Shipping Materials and Services Framework Agreement

Date:	12 November 2021 (after trading hours)
Parties:	COSCO SHIPPING The Company

The Shipping Materials and Services to be Provided

Pursuant to the 2021 Shipping Materials and Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, of which the details are set out below:

(1) supply of marine lubricant;

(2) supply of shipping fuel;

(3) supply of shipping materials and relevant repair services;

(4) ship management, ship safety management and technical consultation services;

(5) painting and paint maintenance services;

(6) ship repair, special coating, technical improvements services, fire control and safety equipment services;

(7) supply of ship spare parts;

(8) electrical, electrical engineering, telecommunication and navigation equipment services;

(9) supply and repair of ship equipment;

(10) ship supervision technology services;

(11) related services for sale and purchase of ships, accessories and equipment;

(12) ship and related business insurance and insurance brokerage services;

(13) ship and shipping agency services;

(14) shipping services and ship charter services; and

(15) other miscellaneous ship services.

Pricing Policy

The fees for the Shipping Materials and Services will be determined by reference to the prevailing market price for similar type of shipping materials and/or services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of shipping materials and/or services in their ordinary course of business in the same or neighboring areas under normal commercial terms. Further, the price chargeable and the terms offered by the Group for the provision of the Shipping Materials and Services to the COSCO SHIPPING Group and/or its associates shall be no more favorable than the price and terms offered by the Group to independent third parties for similar type of shipping materials and/or services. The price chargeable and the terms offered by the COSCO SHIPPING Group and/or its associates for the provision of the Shipping Materials and Services to the Group shall be no less favorable to the Group than the price and terms received by the Group from independent third parties for similar type of shipping materials and/or services.

Internal Control Measures

In order to ensure the terms provided by the Group are no more favorable than that offered to independent third parties, the Group will make reference to the historical price and terms of the Group providing such materials and/or services to independent third parties. The Group will also make reference to the prevailing market price by obtaining quotations for the provision of such materials and/or services from three independent third party suppliers/service providers which it can make reference to.

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered to the Group by independent third parties, the Group will obtain quotations from three independent third party suppliers/service providers for the provision of such materials and/or services and compare the quotations provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the Group are no more favorable than that offered to independent third parties and the terms offered by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered to the Group by independent third parties. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

Historical Transaction Amounts

Pursuant to the Existing Shipping Materials and Services Framework Agreement, the annual caps of the Shipping Materials and Services provided by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates for the three financial years ending 31 December 2021 are RMB150 million, RMB180 million and RMB220 million, respectively, and the annual caps of the Shipping Materials and Services provided by the COSCO SHIPPING Group (excluding the Group) and/or its associates to the Group for the three financial years ending 31 December 2021 are RMB7,000 million, RMB9,200 million and

RMB9,800 million, respectively. The table below sets forth the historical transaction amounts of the Shipping Materials and Services for the two years ended 31 December 2020 and the six months ended 30 June 2021 under the Existing Shipping Materials and Services Framework Agreement:

	For the year ended 31 December 2019 *(RMB'000)* (audited)	**For the year ended 31 December 2020** *(RMB'000)* (audited)	**For the six months ended 30 June 2021** *(RMB'000)* (unaudited)
Provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	86,355	101,021	27,529
Receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	4,171,386	4,695,807	1,805,750

As far as the Directors are aware, the annual caps for the year ending 31 December 2021 under the Existing Shipping Materials and Services Framework Agreement had not been exceeded as at the Latest Practicable Date.

Annual Caps

The aggregate fees in any financial year for the Shipping Materials and Services will depend on the types or quantity of the Shipping Materials and Services provided by/to the Group. Pursuant to the 2021 Shipping Materials and Services Framework Agreement, the annual caps for the provision and receipt of Shipping Materials and Services are as follows:

	For the year ending 31 December 2022 *(RMB'000)*	**For the year ending 31 December 2023** *(RMB'000)*	**For the year ending 31 December 2024** *(RMB'000)*
Provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	100,000	100,000	150,000
Receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	6,800,000	6,800,000	8,400,000

These annual caps have been determined based on the actual amounts paid and/or received by the Group under the Existing Materials and Services Framework Agreements for the two financial years ended 31 December 2020 and the six months ended 30 June 2021, management's estimates of fleet operational costs over the next three years ending 31 December 2024 and management's estimates of the market prices and other relevant market developments. The increment of the annual caps for the three years have been determined based on the estimated increase in shipping capacity and the estimated increase in revenue as a result of the increase in shipping capacity.

Among each of the proposed annual caps for the Shipping Materials and Services to be received by the Group under the 2021 Shipping Materials and Services Framework Agreement for the three financial years ending 31 December 2024, the Group's receipt of (i) fuel; (ii) shipping materials, marine lubricants and ship spare parts, and (iii) ship repair services from the COSCO SHIPPING Group and/or its associates accounts for around 90% thereof.

In respect of the Group's annual purchase amount of fuel under the Shipping Materials and Services for the three financial years ending 31 December 2024, it is mainly based on (i) the estimated fleet size of the Group as well as the fleet size of the Group's associated operating entities, and (ii) the estimated fuel price in the forthcoming three years ending 31 December 2024.

In respect of the Group's annual purchase amount of shipping materials, marine lubricants and ship spare parts under the Shipping Materials and Services for the three financial years ending 31 December 2024, it is mainly based on (i) the actual total costs per vessel for shipping materials, marine lubricants and ship spare parts purchased in 2020; (ii) the estimated fleet size of the Group for each of the three financial years ended 31 December 2024; and (iii) a reasonable buffer of 10% to cater for unexpected fluctuation of market prices and changes in specifications.

In respect of the Group's annual purchase amount of ship repair services under the Shipping Materials and Services for the three financial years ending 31 December 2024, it is mainly attributable to (i) the actual total costs for ship repairs in 2020, (ii) the periodical increase in the number of ships that have not been repaired during the past years but shall be repaired in the forthcoming three years, and (iii) the increasing demand for such services due to the future increment of the age of the ships to be repaired.

Payment Terms

The payment terms are dependent on the type of the Shipping Materials and Services to be provided and are determined at the time when the Shipping Materials and Services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of materials and/or services.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Shipping Materials and Services Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Shipping Materials and Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

2021 Sea Crew Framework Agreement

Date:	12 November 2021 (after trading hours)
Parties:	COSCO SHIPPING (as provider of services)
	The Company (as recipient of services)

The Crew Services to be Provided

Pursuant to the 2021 Sea Crew Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide to the Group with the Crew Services, which include the crew management, training, hiring and related services.

Pricing Policy

The fees for the Crew Services will be determined by reference to the prevailing market price for similar type of crew services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of crew services in their ordinary course of business in the same or neighboring areas under normal commercial terms. Further, the terms offered by the provider of the Crew Services shall be (i) no less favorable than the terms offered by the provider to independent third parties for similar type of crew services; and (ii) no less favorable than the terms received by the receiver of the Crew Services from independent third parties for similar type of crew services.

Internal Control Measures

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy, the Group will obtain quotations from three independent third party service providers for the provision of such crew services and will obtain three service contracts from the COSCO SHIPPING Group for the provision of such crew services by the COSCO SHIPPING Group and/or its associates to independent third parties and compare the quotations for the Crew Services provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations/service contracts will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

Historical Transaction Amounts

Pursuant to the Existing Sea Crew Framework Agreement, the annual caps of the Crew Services provided by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates for the three financial years ending 31 December 2021 are RMB18 million, RMB18 million and RMB18 million, respectively, and the annual caps of the Crew Services provided by the COSCO SHIPPING Group (excluding the Group) and/or its associates to the Group for the three financial years ending 31 December 2021 are RMB1,900 million, RMB2,100 million and RMB2,300 million, respectively. The table below sets forth the historical transaction amounts of the Crew Services for the two years ended 31 December 2020 and the six months ended 30 June 2021 under the Existing Sea Crew Framework Agreement:

	For the year ended 31 December 2019 *(RMB'000)* (audited)	**For the year ended 31 December 2020** *(RMB'000)* (audited)	**For the six months ended 30 June 2021** *(RMB'000)* (unaudited)
Provision of the Crew Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	Nil	Nil	Nil
Receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	1,388,719	1,469,089	810,835

As far as the Directors are aware, the annual caps for the year ending 31 December 2021 under the Existing Sea Crew Framework Agreement had not been exceeded as at the Latest Practicable Date.

Annual Caps

The aggregate fees in any financial year for the Crew Services will depend on the types or quantity of the Crew Services provided to the Group. Pursuant to the 2021 Sea Crew Framework Agreement, the annual caps for the receipt of Crew Services are as follows:

	For the year ending 31 December 2022 *(RMB'000)*	For the year ending 31 December 2023 *(RMB'000)*	For the year ending 31 December 2024 *(RMB'000)*
Receipt of the Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	2,200,000	2,200,000	2,400,000

These annual caps have been determined based on the actual amounts paid and/or received by the Group under the Existing Sea Crew Framework Agreement for the two financial years ended 31 December 2020 and the six months ended 30 June 2021, management's estimates of fleet operational costs over the next three years ending 31 December 2024 and management's estimates of the market prices and other relevant market developments. The increment of the annual caps for the three years have been determined based on the estimated increase in shipping capacity due to the estimated expansion in the fleet size of the Group for the forthcoming three years ending 31 December 2024. In particular, the Board has also taken the estimated salary increment of approximately 30% for the crew members into consideration when arriving at these annual caps for the three financial years ending 31 December 2024.

Payment Terms

The payment terms are dependent on the type of the Crew Services to be provided and are determined at the time when the Crew Services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of materials and/or services.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Sea Crew Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Sea Crew Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

2021 Services Framework Agreement

Date:	12 November 2021 (after trading hours)
Parties:	COSCO SHIPPING (as provider of services)
	The Company (as recipient of services)

The Miscellaneous Services to be Provided

Pursuant to the 2021 Services Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide to the Group with the Miscellaneous Services, of which the details are set out below:

(1) computer and software maintenance services;

(2) accommodation, transportation and conference services;

(3) sale reception and employee catering services;

(4) supply of office supplies and labor supplies;

(5) vehicle rentals, repair, maintenance and chauffeur services;

(6) office equipment maintenance, property management, back office management and file management services;

(7) property leasing management services;

(8) printing, printer maintenance services and paper supply services;

(9) assistance to marine claims;

(10) medical services;

(11) training services;

(12) courier and gardening services; and

(13) other miscellaneous services.

Pricing Policy

The fees for the Miscellaneous Services will be determined by reference to the prevailing market price for similar type of services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of services in their ordinary course of business in the same or neighboring areas under normal commercial terms. Further, the terms offered by the provider of the Miscellaneous Services shall be no less favorable than the terms received by the receiver of the Miscellaneous Services from independent third parties for similar type of services.

Internal Control Measures

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy, the Group will obtain quotations from three independent third party service providers for the provision of such services and compare the quotations provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations/service contracts will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the COSCO SHIPPING Group and/or its associates are consistent with the above pricing policy. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

Historical Transaction Amounts

Pursuant to the Existing Services Framework Agreement, the annual caps of the Miscellaneous Services provided by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates for the three financial years ending 31 December 2021 are RMB30 million, RMB40 million and RMB50 million, respectively, and the annual caps of the Miscellaneous Services provided by the COSCO SHIPPING Group (excluding the Group) and/or its associates to the Group for the three financial years ending 31 December 2021 are RMB130 million, RMB130 million and RMB140 million, respectively. The table below sets forth the historical transaction amounts of the Miscellaneous Services for the two years ended 31 December 2020 and the six months ended 30 June 2021 under the Existing Services Framework Agreement:

	For the year ended 31 December 2019 *(RMB'000)* (audited)	**For the year ended 31 December 2020** *(RMB'000)* (audited)	**For the six months ended 30 June 2021** *(RMB'000)* (unaudited)
Provision of the Miscellaneous Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	557	Nil	Nil
Receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	17,045	20,896	8,896

As far as the Directors are aware, the annual caps for the year ending 31 December 2021 under the Existing Services Framework Agreement had not been exceeded as at the Latest Practicable Date.

Annual Caps

The aggregate fees in any financial year for the Miscellaneous Services will depend on the types or quantity of the Miscellaneous Services provided to the Group. Pursuant to the 2021 Services Framework Agreement, the annual caps for the receipt of the Miscellaneous Services are as follows:

	For the year ending 31 December 2022 *(RMB'000)*	For the year ending 31 December 2023 *(RMB'000)*	For the year ending 31 December 2024 *(RMB'000)*
Receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	70,000	70,000	70,000

These annual caps have been determined based on the actual amounts paid and/or received by the Group under the Existing Services Framework Agreement for the two financial years ended 31 December 2020 and the six months ended 30 June 2021 and management's estimates of the market prices and other relevant market developments. The increment of the annual caps for the three years have been determined based on the estimated increase in demand for information technology services to build and upgrade shipping software system, including shipping, navigational platform, emergency command system and communication system etc., which are proposed to be purchased from the COSCO SHIPPING Group at a fair and reasonable price with reference to those for comparable and similar services and products as quoted in the open market.

Payment Terms

The payment terms are dependent on the type of the Miscellaneous Services to be provided and are determined at the time when the Miscellaneous Services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of materials and/or services.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Services Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

Reasons for and Benefits of Entering into the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement

Certain members of the COSCO SHIPPING Group have been providing the necessary supporting shipping materials and services, crew services and miscellaneous services to the Group since the Group's establishment. Since the acquisition of Dalian Tanker in 2016, the Group has also been providing the necessary supporting shipping materials and services to certain members of the COSCO SHIPPING Group.

The transactions between the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) and the Group under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement are essential to the businesses and operation of both groups.

The terms of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the Shipping Materials and Services, the Crew Services and the Miscellaneous Services from the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING), who are experienced in the provision of services in the shipping industry, will strengthen the competitiveness of the Group.

In light of the above circumstances, the Directors consider the terms of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Additional Information

The Group is a leading player in the coastal crude oil and product oil transportation industry in the PRC with its main services of oil shipping and liquefied natural gas transportation. 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 book. The Group's tanker operation model mainly includes spot market chartering, time chartering, signing contracts of affreightment with cargo owners, joining associated operating entities and other various ways involving use of its self-owned and controlled vessels.

The highest applicable percentage ratio under Chapter 14 of the Listing Rules in terms of the aggregated annual caps for the provision of the Shipping Materials and Services, the Crew Services and the Miscellaneous Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, amounts to approximately 66.82% on an annual basis, among which the highest applicable percentage ratio under Chapter 14 of the Listing Rules in terms of the annual caps for the provision of the Shipping Materials and Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2021 Shipping Materials and Services Framework Agreement, amounts to approximately 51.63% on an annual basis.

In the event that the COSCO SHIPPING Group and/or its associates fail to continue to provide the Shipping Materials and Services to the Group, or the terms and conditions of the Shipping Materials and Services offered by the COSCO SHIPPING Group and/or its associates to the Group become no longer fair or reasonable, or in the interest of the Company and its Shareholders as a whole, the Company can easily procure such Shipping Materials and Services from alternative suppliers at a similar price and quality in the open market. In addition, the Group's purchase of the Shipping Materials and Services from the COSCO SHIPPING Group and/or its associates does not constitute the Group's sole or primary source of revenue.

After considering the factors above, the Board is of the view that the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement will not lead to the Group's excessive reliance on the COSCO SHIPPING Group and/or its associates or affect the Group's ability to operate on a stand-alone basis.

2021 LEASE FRAMEWORK AGREEMENT

Date:	12 November 2021 (after trading hours)
Parties:	COSCO SHIPPING
	The Company

The Leasing Services to be Provided

Pursuant to the 2021 Lease Framework Agreement, the Company and COSCO SHIPPING agreed to provide to each other's group (and/or the associates of COSCO SHIPPING) with the Leasing Services including property and land use right leasing services.

Pricing Policy

The rent for the Leasing Services will be determined by reference to the prevailing market price. The prevailing market price shall be determined by reference to the rent chargeable by independent third parties in their ordinary course of business for providing similar type of properties in the same or neighboring areas under normal commercial terms.

Internal Control Measures

In order to ensure the terms provided by the Group are no more favorable than that offered to independent third parties, the Group will make reference to the historical price and terms of the Group providing such leasing services to independent third parties. The Group will also make reference to the prevailing market price by obtaining quotations for rental of similar type of properties in the same or neighboring areas from three independent third parties.

In order to ensure the terms provided by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered by independent third parties, the Group will obtain quotations from three independent third parties for rental of similar type of properties in the same or neighboring areas and compare the quotations provided by the COSCO SHIPPING Group and/or its associates against those quotations.

The quotations will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by the Group are no more favorable than that offered to independent third parties and the terms offered by the COSCO SHIPPING Group and/or its associates are no less favorable than that offered by independent third parties. Moreover, the Company has established a team responsible for reviewing the actual transaction amounts between the Group and the COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

Historical Transaction Amounts

Pursuant to the Existing Lease Framework Agreement, the annual caps of the Leasing Services provided by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates for the three financial years ending 31 December 2021 are RMB30 million, RMB30 million and RMB30 million, respectively, and the annual caps of the Leasing Services provided by the COSCO SHIPPING Group (excluding the Group) and/or its associates to the Group for the three financial years ending 31 December 2021 are RMB30 million, RMB30 million and RMB30 million, respectively. The table below sets forth the historical transaction amounts of the Leasing Services for the two years ended 31 December 2020 and the six months ended 30 June 2021 under the Existing Lease Framework Agreement:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the six months ended 30 June 2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(unaudited)
Provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	5,270	690	90
Receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	4,513	4,846	2,199

As far as the Directors are aware, the annual caps for the year ending 31 December 2021 under the Existing Lease Framework Agreement had not been exceeded as at the Latest Practicable Date.

The transaction amount with respect to the provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates substantially decreased in 2021 as compared to that for the year of 2019 is primarily due to the Group's disposal of, among others, part of its properties and lands under the asset transfer agreements dated 12 June 2020, which substantially reduced the Group's rental incomes thereafter. For further details, please refer to the announcement of the Company dated 12 June 2020.

Annual Caps

The aggregate fees in any financial year for the Leasing Services will depend on the types or number of properties leased by/to the Group. Pursuant to the 2021 Lease Framework Agreement, the annual caps for the provision and receipt of the Leasing Services are as follows:

	For the year ending 31 December 2022 *(RMB'000)*	For the year ending 31 December 2023 *(RMB'000)*	For the year ending 31 December 2024 *(RMB'000)*
Provision of the Leasing Services by the Group to the COSCO SHIPPING Group (excluding the Group) and/or its associates	600	600	600
Receipt of the Leasing Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	10,000	10,000	10,000

These annual caps have been determined based on the actual amounts paid and/or received by the Group under the Existing Lease Framework Agreement in the last two financial years ended 31 December 2020 and the six months ended 30 June 2021, the estimated aggregate annual renal payable under the specific lease agreements during the term, and a reasonable buffer to cater for possible increases in the number of leases and the amount of rent payable or receivable.

Payment Terms

The rent payable for the Leasing Services are/will be payable monthly. The Group believes such payment term is consistent with market term for rental of properties.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Lease Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Lease Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

Reasons for and Benefits of Entering into the 2021 Lease Framework Agreement

Certain members of the COSCO SHIPPING Group and/or its associates have been providing the Leasing Services to the Group and the Group has been providing the Leasing Services to certain members of the COSCO SHIPPING Group and/or its associates since the entering into of the Existing Lease Framework Agreement. As at the Latest Practicable Date, the Group has been renting several commercial properties owned by the COSCO SHIPPING Group for office usage. As the Group has a continuous demand for such types of properties and land use right in the upcoming three years, and the rent to be charged by the COSCO SHIPPING Group and/or its associates are competitive, the Company has agreed to rent such properties and land use right from the COSCO SHIPPING Group and/or its associates. Further, as at the Latest Practicable Date, the COSCO SHIPPING Group has been renting two residential properties owned by the Group as the dormitory of the employees of COSCO SHIPPING Group and a warehouse owned by the Group for storage usage. As the COSCO SHIPPING Group and/or its associates has a continuous demand for such types of properties and land use right in the upcoming three years, and the rent that the COSCO SHIPPING Group and/or its associates are willing to pay is competitive, the Company has agreed to lease such properties and land use right to the COSCO SHIPPING Group and/or its associates.

In addition, the Board considers that the 2021 Lease Framework Agreement can set up a framework and streamline the procedures in respect of the leasing of properties between members of the Group and the COSCO SHIPPING Group and/or its associates.

In light of the above circumstances, the Directors consider the terms of the 2021 Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

2021 TRADEMARK LICENSE AGREEMENT

The Existing Trademark License Agreement will expire on 31 December 2021 and COSCO SHIPPING has agreed to renew the non-exclusive license granted to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING upon terms and conditions as similar to those set out in the Existing Trademark License Agreement. Therefore, on 12 November 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries, excluding the Group) entered into the 2021 Trademark License Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive license to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for a term from 1 January 2022 to 31 December 2024.

INFORMATION ON THE PARTIES

The Company is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange. The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas shipment and vessel chartering.

COSCO SHIPPING is a state-owned enterprise and is a controlling shareholder of the Company. COSCO SHIPPING is principally engaged in international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

China Shipping is a company incorporated under the laws of the PRC and a wholly-owned subsidiary of COSCO SHIPPING. China Shipping is principally engaged in coastal and ocean cargo transportation, container transportation, import and export business and international freight agency business.

COSCO SHIPPING Finance is a company established under the laws of the PRC with limited liability and a company controlled by COSCO SHIPPING. COSCO SHIPPING Finance is principally engaged in provision of deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement services and liquidation services.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 619,426,195 A shares were directly held by COSCO SHIPPING and 1,536,924,595 A shares were held by China Shipping (a wholly-owned subsidiary of COSCO SHIPPING). Therefore, COSCO SHIPPING and its associates are entitled to exercise control over the voting rights in respect of 2,156,350,790 A shares, representing approximately 45.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company, and therefore COSCO SHIPPING, China Shipping and COSCO SHIPPING Finance are connected persons of the Company within the meaning of the Listing Rules.

The transactions pursuant to the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement, the 2021 Services Framework Agreement, the 2021 Lease Framework Agreement and the 2021 Trademark License Agreement constitute continuing connected transactions of the Company as such agreements were entered into with COSCO SHIPPING.

Mr. Ren Yongqiang, being an executive Director, and Mr. Zhang Qinghai and Mr. Liu Zhusheng, being the non-executive Directors, hold positions in COSCO SHIPPING and/or its subsidiaries other than the Group. Accordingly, Mr. Ren Yongqiang, Mr. Zhang Qinghai and Mr. Liu Zhusheng have abstained from voting on the relevant Board resolutions approving the 2021 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

The 2021 Financial Services Framework Agreement

In respect of the provision of the deposit services under the 2021 Financial Services Framework Agreement, the placement of deposits by the Group with COSCO SHIPPING Finance constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios in connection with such placement of deposits are expected to be more than 25% but less than 100% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the provision of the loan services under the 2021 Financial Services Framework Agreement, pursuant to Rule 14A.90 of the Listing Rules, since the loan services will be conducted on normal terms or better and there will be no securities by the Group's assets, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements.

In respect of the provision of the foreign exchange services, settlement services and other financial services under the 2021 Financial Services Framework Agreement, the applicable percentage ratios for all future transactions that may take place between the Group and COSCO SHIPPING Finance in respect of such services are expected to be less than 0.1% on an annual basis. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

Since the provision of the deposit services by COSCO SHIPPING Finance to the Group under the 2021 Financial Services Framework Agreement is subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, the 2021 Financial Services Framework Agreement and all the transactions and proposed annual caps contemplated thereunder shall be subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as a whole.

The 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement

In respect of the provision of the Shipping Materials and Services, the Crew Services and the Miscellaneous Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, as the applicable percentage ratios, when aggregated, are expected to be more than 25% but less than 100% on an annual basis, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the provision of the Shipping Materials and Services by the Group to the COSCO SHIPPING Group and/or its associates under the 2021 Shipping Materials and Services Framework Agreement, the applicable percentage ratios are expected to be more than 0.1% but less than 5% on an annual basis, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2021 Lease Framework Agreement

In respect of the leasing of certain properties by the COSCO SHIPPING Group and/or its associates to the Group under the 2021 Lease Framework Agreement, as the applicable percentage ratios are expected to be less than 0.1% on an annual basis. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

In respect of the leasing of certain properties by the Group to the COSCO SHIPPING Group and/or its associates under the 2021 Lease Framework Agreement, as the applicable percentage ratios are expected to be less than 0.1% on an annual basis. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

As the applicable percentage ratios are expected to be less than 0.1% on an annual basis, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions under the 2021 Lease Framework Agreement are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

The 2021 Trademark License Agreement

In respect of the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING under the 2021 Trademark License Agreement, as the applicable percentage ratios are expected to be less than 0.1% on an annual basis, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will re-comply with the applicable Listing Rules.

SHANGHAI LISTING RULES IMPLICATIONS

Pursuant to the Shanghai Listing Rules, transaction amounts under all types of related party transactions entered into in the ordinary and usual course of business of the Company and entered into between the Company and the same related party within a 12-month period should be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures), and if the total aggregated transaction amount exceeds 5% of the net asset value of the Group as at the end of the preceding financial year, such related party transactions should be presented to a general meeting for the Independent Shareholders' approval.

As the transactions contemplated under the 2021 Framework Agreements also constitute related party transactions entered into in the ordinary and usual course of business of the Company under the Shanghai Listing Rules and were all entered into between the Company and COSCO SHIPPING, all the proposed annual caps in the 2021 Framework Agreements shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. It is expected that such aggregated amount would exceed 5% of the net asset value of the Group as at 31 December 2020. Accordingly, ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and, if thought fit, approve the transactions and the proposed annual caps contemplated under the 2021 Framework Agreements.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to whether (i) the 2021 Financial Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise and make recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, and the transactions and the proposed annual caps contemplated thereunder in accordance with the Listing Rules.

DIRECTORS' CONFIRMATION

Mr. Ren Yongqiang, being an executive Director, and Mr. Zhang Qinghai and Mr. Liu Zhusheng, being the non-executive Directors, hold positions in COSCO SHIPPING and/or its subsidiaries other than the Group. Accordingly, Mr. Ren Yongqiang, Mr. Zhang Qinghai and Mr. Liu Zhusheng have abstained from voting on the relevant Board resolutions approving the 2021 Framework Agreements, and the transactions and the proposed annual caps contemplated thereunder pursuant to the Articles of Association.

Save as disclosed above, none of other Directors has a material interest in the transactions under the 2021 Framework Agreements and was required to abstain from voting on the relevant resolutions.

EGM

The EGM will be held at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China on Tuesday, 28 December 2021 at 10:00 a.m. for the Shareholders to consider and, if thought fit, approve the resolutions in relation to the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder. A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed on it. The proxy form should be returned to the H share registrar of the Company, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment of it. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at the EGM shall be taken by poll. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

In accordance with the Listing Rules, any Shareholders who has a material interest in the 2021 Framework Agreements shall abstain from voting on the resolutions to approve the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder at the EGM. As at the Latest Practicable Date, 619,426,195 A shares were directly held by COSCO SHIPPING and 1,536,924,595 A shares were held by China Shipping (a wholly-owned subsidiary of COSCO SHIPPING). Therefore, COSCO SHIPPING and its associates are entitled to exercise control over the voting rights in respect of 2,156,350,790 A shares, representing approximately 45.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING, China Shipping and their respective associates will be required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the transactions and will be required to abstain from voting on the relevant resolutions to approve the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder at the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 36 to 37 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 38 to 65 of this circular in connection with the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having considered the terms of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, and the advice of the Independent Financial Adviser, are of the opinion that (i) the 2021 Financial Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, and the transactions and the proposed annual caps contemplated thereunder.

Based on the information as set out in this circular, the Board is of the view the terms of all the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favor of all the resolutions in respect of the 2021 Framework Agreements to be proposed at the EGM to approve the aforementioned matters.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders who are entitled to attend and vote at the EGM, the H share register of members of the Company will be closed from Wednesday, 22 December 2021 to Tuesday, 28 December 2021, both days inclusive, during which period no transfer of the H shares of the Company will be effected. The Shareholders whose names appear in the register of members of the Company on Tuesday, 28 December 2021 are entitled to attend and vote at the EGM. In order to qualify for the entitlement to attend and vote at the EGM, all transfer documents accompanied by relevant share certificates must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 December 2021.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Yao Qiaohong
Company Secretary

* *For identification purposes only*

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)

7 December 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 7 December 2021 in relation to the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the 2021 Financial Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of each of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, and the advice of the Independent Financial Adviser, we are of the opinion that (i) the 2021 Financial Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, and (ii) the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are entered into on normal commercial terms or better and in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve the 2021

Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Teo Siong Seng **Mr. Victor Huang**

Mr. Li Runsheng **Mr. Zhao Jinsong**

Mr. Wang Zuwen

Independent non-executive Directors

* *For identification purposes only*

The following is the full text of a letter of advice from Goldlink Capital (Corporate Finance) Limited to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

金聯資本
Goldlink Capital

Room 501-503, 5/F.,
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

7 December 2021

To: The Independent Board Committee and the Independent Shareholders of
*COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.**

Dear Sir or Madam,

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 7 December 2021 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement made by the Company dated 12 November 2021. The existing framework agreements will expire on 31 December 2021. In light of the Company's intention to continue entering into transactions of a similar nature from time to time after such expiry date, on 12 November 2021 (after trading hours), the Company entered into, among others, the 2021 Financial Services Framework Agreement and the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement. Pursuant to the 2021 Financial Services Framework Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance, a company controlled by COSCO SHIPPING, to provide the Group with a range of financial services for the three years ending 31 December 2024. Pursuant to the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement with COSCO SHIPPING, the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, and the COSCO SHIPPING (and/or the associates of COSCO SHIPPING) will provide the Group with the Crew Services and the

Miscellaneous Services. The term of each of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement will expire on 31 December 2024.

As at the Latest Practicable Date, 619,426,195 A Shares were directly held by COSCO SHIPPING and 1,536,924,595 A Shares were held by China Shipping (a wholly-owned subsidiary of COSCO SHIPPING). Therefore, COSCO SHIPPING and its associates are entitled to exercise control over the voting rights in respect of 2,156,350,790 A Shares, representing approximately 45.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company, and therefore COSCO SHIPPING, China Shipping and COSCO SHIPPING Finance are connected persons of the Company within the meaning of the Listing Rules.

In respect of the provision of deposit services under the 2021 Financial Services Framework Agreement, the placement of deposits by the Group with COSCO SHIPPING Finance constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios in connection with such placement of deposits are expected to be more than 25% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In respect of the provision of loan services under the 2021 Financial Services Framework Agreement, pursuant to Rule 14A.90 of the Listing Rules, since the loan services will be conducted on normal terms or better and there will have no securities by the Group's assets, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements. In respect of the provision of foreign exchange services, settlement services and other financial services under the 2021 Financial Services Framework Agreement, the applicable percentage ratios for all future transactions that may take place between the Group and COSCO SHIPPING Finance in respect of such services are expected to be less than 0.1% on an annual basis. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and the Independent Shareholders' approval requirements.

Since the provision of the deposit services by COSCO SHIPPING Finance to the Group under the 2021 Financial Services Framework Agreement is subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, the 2021 Financial Services Framework Agreement and all the transactions and proposed annual caps contemplated thereunder shall be subject to the major transaction requirements (including the reporting, announcement and shareholders' approval) under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as a whole.

In respect of the provision of Shipping Materials and Services, the Crew Services and the Miscellaneous Services by the COSCO Shipping Group and/or its associates to the Group under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement, as the applicable percentage ratios, when aggregated, are expected to be more than 25% on an annual basis, such transactions constitute major and continuing connected transactions of the Company which are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ren Yongqiang, being an executive Director, and Mr. Zhang Qinghai and Mr. Liu Zhusheng, being the non-executive Directors, hold positions in COSCO SHIPPING and/or its subsidiaries other than the Group. Accordingly, Mr. Ren Yongqiang, Mr. Zhang Qinghai and Mr. Liu Zhusheng have abstained from voting on the relevant Board resolutions approving the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the 2021 Framework Agreements and the transactions and the proposed annual caps contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen) has been formed to advise the Independent Shareholders in relation to the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, in accordance with the Listing Rules. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives and substantial shareholders of the Company or any of their associates. We are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, in accordance with the Listing Rules.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, in accordance with the Listing Rules. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND INFORMATION ON THE GROUP

1.1 Background of the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas ("**LNG**") shipment and vessel chartering.

1.2 Financial performance of the Group

Set out below is a summary of the condensed consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, which are extracted from the Company's annual reports for the year ended 31

December 2019 ("**2019 Annual Report**") and the year ended 31 December 2020 ("**2020 Annual Report**") and the Company's interim report for the six months ended 30 June 2021 ("**2021 Interim Report**").

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Revenues	6,078,251	9,669,499	16,268,197	13,721,140	12,099,685
Operating costs	(5,157,977)	(6,001,948)	(12,386,553)	(11,125,022)	(10,304,074)
Gross profit	920,274	3,667,551	3,881,644	2,596,118	1,795,611
Profit for the year/period attributable to equity holders of the Company	581,974	2,954,736	2,381,415	413,857	74,679

For the year ended 31 December 2019 ("FY2019")

According to 2019 Annual Report, revenue of the Group for the FY2019 was approximately RMB13.7 billion, representing an increase of approximately 13.4% as compared to approximately RMB12.1 billion for the year ended 31 December 2018. Such increase was mainly due to (i) the increase in revenue from oil shipping from approximately RMB10.8 billion for the year ended 31 December 2018 to approximately RMB12.3 billion for the FY2019, as a result of the increase in revenue in domestic oil shipping of approximately 19.0% to RMB4.99 billion; and (ii) the increase in revenue from international LNG shipping of approximately 11.9% to approximately RMB1.3 billion for the FY2019.

Profit for the year attributable to equity holders of the Company increased significantly from approximately RMB74.7 million for the year ended 31 December 2018 to approximately RMB413.9 million for the FY2019, which was mainly attributable to (i) the increase in revenue of approximately 13.4% as discussed above; (ii) the increase in gross profit margin by 4.1 percentage points year-on-year, mainly due to the Group strictly adopted cost control practices and maximized the benefits from the synergy effect of bulk procurement which led to the savings of 112.2 thousand tons of bunker fuel and hence achieved a decrease in fuel costs; (iii) the decrease in net impairment losses on financial and contract assets of approximately RMB19.0 million and (iv) the increase in share of profits of joint ventures of approximately RMB195.2 million.

For the year ended 31 December 2020 ("FY2020")

According to 2020 Annual Report, revenue of the Group for the FY2020 was approximately RMB16.3 billion, representing an increase of approximately 18.6% as compared to approximately RMB13.7 billion for the FY2019. Such increase was mainly due to the increase in revenue from oil shipping from approximately RMB12.3 billion for the FY2019 to approximately RMB14.9 billion for the FY2020, as a result of the increase in revenue in international oil shipping of approximately 30.7% to approximately RMB9.6 billion, mainly attributable to the increase in self-operated transportation volume of approximately 7.8% to 80.4 million tonnes for the FY2020. The increase in self-operated transportation volume was mainly due to the Group (i) developed incremental markets in South America (ii) developed new overseas customers and cooperated with them on spot trade, which enriched its international customer resources; and (iii) opened new routes from Canada to China and from the US Gulf to Europe to continue expansion of its global business presence.

Profit for the year attributable to equity holders of the Company increased significantly from approximately RMB413.9 million for the FY2019 to approximately RMB2.4 billion for the FY2020, which was mainly attributable to (i) the increase in revenue of approximately 18.6% as discussed above; (ii) the increase in gross profit margin by 10.1 percentage points year-on-year, mainly due to the decrease in fuel costs as the Group recorded a year-on-year decrease of 7% in unit fuel consumption and adopted an operation model for procurement combining fixed, floating and spot pricing, so as to effectively keep the fuel cost in control; (iii) the decrease in finance costs of approximately RMB379.9 million as a result of the decrease in bank and other borrowings; (iv) the increase in share of profits of joint ventures of approximately RMB263.5 million; and (v) the decrease in income tax expenses as a result of the increase in tax effect of utilization of tax losses previously not recognized of approximately RMB300.0 million.

For the six months ended 30 June 2021 ("6M2021")

As stated in the 2021 Interim Report, revenue of the Group for the 6M2021 amounted to approximately RMB6.1 billion, representing a decrease of approximately 37.1% as compared to approximately RMB9.7 billion for the six months ended 30 June 2020. Such decrease was mainly attributable to the decrease in revenue in oil shipping of approximately 39.1% to approximately RMB5.5 billion for the 6M2021, as a result of the decrease in revenue from international oil shipping of approximately 57.7% to approximately RMB2.7 billion mainly due to the demand for petroleum was still suppressed by the COVID-19 epidemic. Although the demand for petroleum was gradually recovering with the continuous advancement of COVID-19 vaccination, it was still lower than the level before the epidemic.

Profit for the six months ended 30 June 2021 significantly decreased from approximately RMB2.95 billion for the six months ended 30 June 2020 to approximately RMB582.0 million for the 6M2021. Such decrease was mainly due to (i) the substantial decrease in revenue as discussed above; (ii) the decrease in gross profit margin by 22.8 percentage points year-on-year to approximately 15.1%, which was mainly attributable to the gross loss for international oil shipping; and (iii) the increase in administrative expenses of approximately RMB99.0 million.

1.3 Financial position on the Group

	As at 30 June	As at 31 December		
	2021	**2020**	**2019**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Non-current assets	58,220,466	58,080,384	58,914,231	56,471,615
Current assets	7,280,874	7,879,473	6,927,630	6,944,652
Current liabilities	10,232,538	9,892,842	12,348,192	10,881,576
Non-current liabilities	19,658,310	20,464,669	24,326,063	23,262,493
Equity attributable to equity holders of the Company	34,332,713	34,621,828	28,124,735	28,191,620

As at 31 December 2019, total assets of the Group amounted to approximately RMB65.8 billion, representing an increase of approximately RMB2.4 billion as compared to that as at 31 December 2018. Such increase was mainly due to the increase in non-current assets as a result of the increase in right-of-use assets to approximately RMB2.4 billion and (ii) increase in investment in joint ventures to approximately RMB3.2 billion. As at 31 December 2020, total assets of the Group slightly increased to approximately RMB66.0 billion from approximately RMB65.8 billion as at 31 December 2019. Such increase was mainly due to the increase in current assets as a result of the increase in cash and cash equivalents to approximately RMB4.9 billion as a result of (i) the completion of non-public issuance of A Shares in March 2020 and raised a gross proceeds of approximately RMB5.1 billion and (ii) increase in net cash generated from operating activities from approximately RMB5.2 billion for the FY2019 to approximately RMB7.0 billion for the FY2020. As at 30 June 2021, total assets of the Group amounted to approximately RMB65.5 billion, representing a decrease of approximately RMB458.5 million as compared to that as at 31 December 2020. Such decrease was mainly attributable to the decrease in cash and cash equivalents to approximately RMB3.8 billion as a result of the decrease in net cash generated from operating activities.

As at 31 December 2019, total liabilities of the Group amounted to RMB36.7 billion as compared to approximately RMB34.1 billion as at 31 December 2018. The increase in total liabilities was mainly due to the increase in (i) current liabilities as a result of the increase in current portion of lease liabilities of approximately RMB586.7 million and (ii) non-current liabilities as a result of the increase in lease liabilities of approximately RMB2.1 billion. As at 31 December 2020, total liabilities of the Group decreased to approximately RMB30.4 billion as compared to approximately RMB36.7 billion as at 31 December 2019. Such decrease was mainly due to the decrease in non-current portion interest-bearing bank and other borrowings of approximately RMB3.5 billion to approximately RMB13.8 billion as at 31 December 2020. As at 30 June 2021, total liabilities of the Group further decreased to approximately RMB29.9 billion, which was mainly attributable to the decrease in non-current liabilities as a result of the decrease in (i) interest-bearing bank and other borrowings to approximately RMB13.4 billion and (ii) lease liabilities to approximately RMB1.5 billion.

As a result of the foregoing, the total equity attributable to the equity holders of the Company as at 31 December 2018, 2019 and 2020 and as at 30 June 2021 amounted to RMB28.2 billion, RMB28.1 billion, RMB34.6 billion and RMB34.3 billion, respectively. The increase in total equity attributable to the equity holders of the Company of approximately RMB6.5 billion to approximately RMB34.6 billion as at 31 December 2020 was mainly due to (i) the increase in total assets as a result of increase in cash and cash equivalents due to the increase in net cash generated from operating activities and (ii) the increase in equity base as a result of the completion of non-public issuance of A Shares in March 2020.

1.5 Background information of COSCO SHIPPING

COSCO SHIPPING is a state-owned enterprise and is a controlling shareholder of the Company. COSCO SHIPPING is principally engaged in international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

1.6 Background information of COSCO SHIPPING Finance

COSCO SHIPPING Finance is a company established under the laws of the PRC with limited liability and a company controlled by COSCO SHIPPING. COSCO SHIPPING Finance is principally engaged in provision of deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement services and liquidation services.

2. THE 2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT

2.1 Background of the 2021 Financial Services Framework Agreement

Pursuant to the Existing Financial Services Framework Agreements, COSCO SHIPPING Finance may provide the Group with a range of financial services including (i) deposit services, (ii) loan services, (iii) settlement services, (iv) foreign exchange services, and (v) other financial services as approved by CBIRC. The term of the Existing Financial Services Framework Agreements will expire on 31 December 2021.

On 12 November 2021, the Company entered into the 2021 Financial Services Framework Agreement with COSCO SHIPPING, pursuant to which it shall procure COSCO SHIPPING Finance, a company controlled by COSCO SHIPPING, to provide the Group with similar services under the Existing Financial Services Framework Agreements for the three years ending 31 December 2024.

2.2 Principal terms of the 2021 Financial Services Framework Agreement

The principal terms of the 2021 Financial Services Framework Agreement have been set out in the Letter from the Board and are summarized below.

Date	:	12 November 2021
Parties	:	COSCO SHIPPING (as provider of services) Company (as recipient of services)

Pricing Policy

Under the 2021 Financial Services Framework Agreement:

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

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

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

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

We have reviewed the 2021 Financial Services Framework Agreement and noted that the pricing policies thereunder are the same as those stipulated in the Existing Financial Services Framework Agreement.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Financial Services Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Financial Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

2.3 Reasons for and benefits of the entering into the 2021 Financial Services Framework Agreement

The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business.

As advised by the management of the Company, we are given to understand that the Group has maintained deposits with COSCO SHIPPING Finance since 2010. The Directors believe that as an intra-group service provider, COSCO SHIPPING Finance generally have better and more efficient communication with the Group as compared with other independent banks and financial institutions, and the receipt of deposit services and loan services from COSCO SHIPPING Finance for the three years ending 31 December 2024 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks.

Furthermore, as advised by the management of the Company, the Group is not restricted under the 2021 Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's services if the service quality provided continues to be competitive. Having such flexibility afforded under the 2021 Financial Services Framework Agreement, the Group would be able to better manage its current capital and cash flow position. In addition, it is also expected that COSCO SHIPPING Finance will provide more efficient foreign exchange and settlement services to the Group, as compared to other independent third party banks.

In addition, we are given to understand that the operations of COSCO SHIPPING Finance are subject to guidelines and requirements issued by the PBC and the supervision of CBIRC. To the best of the Directors' knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and have sound internal control systems. COSCO SHIPPING Finance can provide financial services, including deposit services, based on the approval issued by the CBIRC.

In considering the financial ability of COSCO SHIPPING Finance, we have reviewed its financial information for the year ended 31 December 2020 and the six months ended 30 June 2021. We note that COSCO SHIPPING Finance recorded net assets of approximately RMB8.7 billion and

RMB8.7 billion as at 31 December 2020 and 30 June 2021 respectively. We have also reviewed the annual risk management assessment report for the year ended 31 December 2020 ("**2020 Assessment Report**") prepared by COSCO SHIPPING Finance which, among others, summarized the current financial positions of COSCO SHIPPING Finance. We note from the 2020 Assessment Report that as at 31 December 2020, various financial ratios of COSCO SHIPPING Finance were in compliance with the regulations as set out in "the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group" (《企業集團財務公司風險監管指標考核暫行辦法》) issued by CBIRC. In particular, as at 31 December 2020, (i) the capital adequacy ratio of COSCO SHIPPING Finance was approximately 16.01%, which was better than the basic requirement of 10% for finance companies as required by CBIRC; (ii) non-performing asset ratio of COSCO SHIPPING Finance was 0.07%, which was better than the basic requirement of 4% for finance companies as required by CBIRC; and (iii) bad loan ratio of COSCO SHIPPING Finance was 0%, which was better than the basic requirement of 5% for finance companies as required by CBIRC. Based on the current financial position of COSCO SHIPPING Finance, we concur with the Directors' view that the Group would not be exposed to high credit risks for depositing with COSCO SHIPPING Finance.

In addition, we have reviewed the relevant internal control measures, in particular, (i) the Company will obtain at least three quotations from independent financial institutions for similar type of services (for instance, in respect of loan services, a loan of the same duration or the same nature) before the Groups (a) places any deposits, which has a term of three months or more; and (b) enters into any loan agreements or any financial services agreements, with COSCO SHIPPING Finance; (ii) in respect of services with transaction amounts less than RMB1 million, quotations of financial services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review and approval; (iii) in respect of services with transaction amounts equal or more than RMB1 million, quotations of financial services together with the offer from COSCO SHIPPING Finance will forthwith be disclosed to the chief financial officer of the Company for review, and the chief financial officer of the Company will then seek approval from the general manager of the Company, or the Board, as appropriate, on whether to accept COSCO SHIPPING Finance's offer; (iv) all borrowings from COSCO SHIPPING Finance will be conducted in accordance with the terms approved by the chief financial officer, the general manager or the Board, as appropriate; (v) the Company will monitor the status of the deposits on a monthly basis through the internet banking services provided by COSCO SHIPPING Finance; (vi) the Company will report to the independent non-executive Directors every six months on (a) the loan or credit facilities agreements entered into with COSCO SHIPPING Finance together with information on the comparable quotations obtained from the independent commercial banks; and (b) any changes in the credit ratings of COSCO SHIPPING Finance during the preceding six-month period; (vii) COSCO SHIPPING Finance is required to take appropriate measures to ensure the security of its information technology system is secured with security level commensurate the other commercial banks; (viii) COSCO SHIPPING Finance is required to comply with risk management protocols and guidelines promulgated by the CBIRC and the relevant laws and regulations; (ix) COSCO SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC; (x) COSCO SHIPPING Finance is required to provide to the Company a copy of the monthly financial statements of COSCO SHIPPING Finance in the following month; (xi) COSCO SHIPPING Finance is required to obtain the approval of the Company prior to engaging in investment of long term securities; and (xii) COSCO SHIPPING Finance is required to inform the Company of any material adverse event and to take appropriate measures to prevent the occurrence or to minimize the impact of the material adverse event.

In addition, the auditors of the Company will report on the continuing connected transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the 2021 Financial Services Framework Agreement; and (iii) have exceeded the proposed annual caps under the 2021 Financial Services Framework Agreement.

Based on the aforesaid, we concur with the Directors' view that, with the aforementioned internal control measures being taken place, the Group is able to ensure the deposit services and loan services are to be provided on normal commercial terms or better and the Group's interests can be sufficiently safeguarded.

We have compared the interest rates offered by COSCO SHIPPING Finance in 2020 with the interest rates offered by independent commercial banks in the PRC for similar type of deposits (i.e. 7 day notice deposits). We noted that the interest rates offered by COSCO SHIPPING Finance were no less favourable than those offered by independent commercial banks in the PRC and the relevant rate stipulated by the PBC for similar type of deposits.

Further, we have reviewed 2019 Annual Report and the 2020 Annual Report and noted that both the auditor of the Company and the independent non-executive Directors confirmed that, among others, the terms of the deposit services under the Existing Financial Services Framework Agreement was conducted on normal commercial terms and in accordance with the relevant pricing policies.

In respect of the loan services provided by COSCO SHIPPING Finance, we understand from the management of the Company that there was no loan obtained by the Group from COSCO SHIPPING Finance for the 2 years ended 31 December 2020 and the six months ended 30 June 2021. Notwithstanding the above, having considered that (i) the Company will obtain at least three quotations of the same duration or the same nature from independent financial institutions for loan services before the Group enters into any loan agreements with COSCO SHIPPING Finance; and (ii) the Group is not restricted under the 2021 Financial Services Framework Agreement to approach and choose any bank or financial institution to obtain loans should their terms offered are much competitive than that of the COSCO SHIPPING Finance, we concur with the views of the Directors that there are adequate internal control measures in place to ensure the terms of the loan services under the 2021 Financial Services Framework Agreement will be entered into on normal commercial terms.

Having considered the above, we concur with the view of the Directors that the 2021 Financial Services Framework Agreement is entered in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the terms of the 2021 Financial Services Framework Agreement are entered into on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

2.4 Proposed annual caps for the 2021 Financial Service Framework Agreement

The proposed annual caps for the deposit services and loan services contemplated under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2024 are as follows:

	Proposed annual caps for the year ending 31 December		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Deposit Services			
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with COSCO SHIPPING Finance	9,000,000	9,000,000	9,000,000
Loan Services			
Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance	3,000,000	3,000,000	3,000,000

As advised by the Directors, the above proposed annual caps were determined with reference to (i) the historical maximum daily outstanding balance of (a) deposits (including accrued interest and handling fee) and (b) loans (including accrued interests and handling fee) for the two years ended 31 December 2020 and the six months ended 30 June 2021; (ii) the Group's expectation of its capital needs for the period from now up to 31 December 2024; and (iii) COSCO SHIPPING Finance's financial ability.

Proposed annual caps for deposit services

As set out in the Letter from the Board, the historical figures of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance for the two years ended 31 December 2020 and the six months ended 30 June 2021 were approximately RMB2.7 billion, RMB3.2 billion and RMB3.2 billion, respectively.

We have reviewed the 2020 Annual Report and the 2021 Interim Report and noted that there is a significant cash inflow and/or outflow from its operating activities, investing activities and financing activities. During the FY2020, the net cash inflow from operating activities amounted to approximately RMB7.0 billion while the net cash outflow from investing activities and financing activities amounted to approximately RMB4.8 billion and RMB1.0 billion, respectively. For the

6M2021, the net cash inflow from operating activities amounted to approximately RMB1.6 billion while the net cash outflow from investing activities and financing activities amounted to approximately RMB1.7 billion and RMB1.0 billion, respectively. In addition, as stated in the 2020 Annual Report, having considered that the gradual improvement of the global oil demand in (i) international oil shipping market; (ii) domestic oil shipping market; and (iii) LNG shipping market, after experiencing the impact of the COVID19 epidemic in 2020 with the popularization of vaccination, the Group expects to benefit from the stable to positive outlook of oil & LNG shipping market.

According to the 2020 Annual Report, in 2020, in terms of fleet expansion, there were 10 new oil tankers delivered. 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 RMB5.9 billion including capital expenditure, of which approximately RMB4.6 billion was paid for the vessel construction progress and purchase of new vessels. After our discussion with the management of the Company, we are given to understand that the Group is expanding its fleet size for the three years ending 31 December 2024. As advised by the management of the Company, it is expected that the Group will wholly own and operate 134, 138 and 148 oil tankers for the three years ending 31 December 2024, respectively. As a result, it is expected that the new oil tankers will be due and settled in the coming three years and hence there is a demand for deposits services for settlement of such vessels. Further, as advised by the management of the Company, we understand that it is the Group's intention to centralise its subsidiaries' capital as well as joint ventures' with an aim to increase management efficiency. As such, it is expected that there will be an increasing demand on deposit services provided by COSCO SHIPPING Finance. Under the aforesaid cash flow plan of the Company, and taking also into account of the maturity of the RMB2.5 billion corporate bonds in 2022, the fund preparation for repayment will also push up the deposit amounts during the coming few years.

Based on the above and taking into account the large amount of cash flow of the Group for its operating, financing and investing activities, we concur with the Directors' view that the proposed annual caps for the maximum daily outstanding balance of deposits will better accommodate the current cash and cash equivalents balance and provide an option for the Group to flexibly manage its surplus cash from operation in the future.

Proposed annual caps for loan services

As set out in the Letter from the Board, the historical figures of the maximum daily outstanding balance of loans (including accrued interest and handling fee) are nil for each of the two years ended 31 December 2020 and the six months ended 30 June 2021, respectively.

We have discussed with the management of the Company in relation to the basis and assumptions adopted in arriving the proposed annual caps of RMB3 billion for loan services and we are given to understand that the Company's corporate bond of approximately RMB2.5 billion will be due in 2022 and there may be a financing needs from the Company from 2022 to ensure sufficient source of funding to safeguard against any liquidity and currency risk in the forthcoming years taking into account of the downturn of world economy and the prolonged COVID-19 pandemic.

In light of the above, we are of the view that the proposed annual caps under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2024 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. THE 2021 SHIPPING MATERIALS AND SERVICES FRAMEWORK AGREEMENT, 2021 SEA CREW FRAMEWORK AGREEMENT AND 2021 SERVICES FRAMEWORK AGREEMENT

3.1 Background of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement

Pursuant to the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement, the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, the Crew Services and the Miscellaneous Services. The terms of each of the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework Agreement and the Existing Services Framework Agreement will expire on 31 December 2021.

On 12 November 2021, the Company entered into the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement with COSCO SHIPPING, pursuant to which the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) with the Shipping Materials and Services, and the COSCO SHIPPING Group and/or its associates will provide the Group with the Crew Services and the Miscellaneous Services.

3.2 Principal terms of the 2021 Shipping Materials and Services Framework Agreement, 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement

3.2.1 Principal terms of the 2021 Shipping Materials and Services Framework Agreement

The principal terms of the 2021 Shipping Materials and Services Framework Agreement have been set out in the Letter from the Board and are summarized below.

Date	:	12 November 2021 (after trading hours)
Parties	:	COSCO SHIPPING The Company

Shipping Materials and Services to be provided

The Company has entered into the 2021 Shipping Materials and Services Framework Agreement with COSCO SHIPPING pursuant to which the Company and COSCO SHIPPING agreed to provide each other's group (and/or the associates of COSCO SHIPPING) the Shipping Materials and Services, of which the details are set out below:

(1) supply of marine lubricant;

(2) supply of shipping fuel;

(3) supply of shipping materials and relevant repair services;

(4) ship management, ship safety management and technical consultation services;

(5) painting and paint maintenance services;

(6) ship repair, special coating, technical improvements services, fire control and safety equipment services;

(7) supply of ship spare parts;

(8) electrical, electrical engineering, telecommunication and navigation equipment services;

(9) supply and repair of ship equipment;

(10) ship supervision technology services;

(11) related services for sale and purchase of ships, accessories and equipment;

(12) ship and related business insurance and insurance brokerage services;

(13) ship and shipping agency services;

(14) shipping services and ship charter services; and

(15) other miscellaneous ship services.

Pricing Policy

The fees for the Shipping Materials and Services will be determined by reference to the prevailing market price for similar type of shipping materials and/or services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of shipping materials and/or services in their ordinary course of business in the same or neighboring areas under normal commercial terms. Further, the price chargeable and the terms offered by the Group for the provision of the Shipping Materials and Services to the COSCO SHIPPING Group and/or its associates shall be no more favorable than the price and terms offered by the Group to independent third parties for similar type of shipping materials and/or services. The price chargeable and the terms offered by the COSCO SHIPPING Group and/or its associates for the provision of the Shipping Materials and Services to the Group shall be no less favorable to the Group than the price and terms received by the Group from independent third parties for similar type of shipping materials and/or services.

We have reviewed the 2021 Shipping Materials and Services Framework Agreement and noted that the pricing policy of the receipt of the shipping materials and services by the Group from the COSCO SHIPPING Group are the same as those stipulated in the Existing Shipping Materials and Services Framework Agreement. As advised by the management of the Company, we noted that vast majority of the Shipping Materials and Services to be provided to Group are (i) fuel; (ii) shipping materials, marine lubricants and ship spare parts and (iii) ship repair services. We have obtained and compared the terms of one contract and/or quotation from COSCO SHIPPING Group and one contract and/or quotation from the Independent third parties for the aforesaid category of the Shipping Materials and Services. We note that the terms of the contracts and/or quotation with COSCO SHIPPING Group are no less favourable than that of the contracts and/or quotation with independent third parties. Based on the above, we are of the view that the fees to be charged under the 2021 Shipping Materials and Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Shipping Materials and Services Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Shipping Materials and Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

3.2.2 Principal terms of the 2021 Sea Crew Framework Agreement

The principal terms of the 2021 Sea Crew Framework Agreement have been set out in the Letter from the Board and are summarized below.

Date : 12 November 2021

Parties : COSCO SHIPPING (as provider of services)
The Company (as recipient of services)

The Crew Services to be provided

Pursuant to the 2021 Sea Crew Framework Agreement, the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group with the crew services, which include the crew management, training, hiring and related services.

Pricing Policy

The fees for the Crew Services will be determined by reference to the prevailing market price for similar type of crew services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of crew services in their ordinary course of business in the same or neighboring areas under normal commercial terms. Further, the terms offered by the provider of the Crew Services shall be (i) no less favorable than the terms offered by the provider to independent third parties for similar type of crew services; and (ii) no less favorable than the terms received by the receiver of the Crew Services from independent third parties for similar type of crew services.

We have reviewed the 2021 Sea Crew Framework Agreement and noted that the pricing policy of the receipt of the Crew Services by the Group from the COSCO SHIPPING Group are the same as those stipulated in the Existing Sea Crew Framework Agreement. In addition, we have obtained and reviewed (i) a contract entered into between the Group and the COSCO SHIPPING Group for the Crew Services and (ii) two contracts entered into between the COSCO SHIPPING Group and the Independent Third Parties for the Crew Services. We note that the terms of the contracts entered into between the Group and the COSCO SHIPPING Group are no less favourable than that of the contracts entered into between the COSCO SHIPPING Group and the Independent Third Parties. Based on the above, we are of the view that the fees to be charged under the 2021 Sea Crew Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Sea Crew Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Sea Crew Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

3.2.3 Principal terms of the 2021 Services Framework Agreement

The principal terms of the 2021 Services Framework Agreement have been set out in the Letter from the Board and are summarized below.

Date : 12 November 2021 (after trading hours)

Parties : COSCO SHIPPING (as provider of services)
The Company (as recipient of services)

The miscellaneous services to be provided

The Company has entered into the 2021 Services Framework Agreement with COSCO SHIPPING pursuant to which the COSCO SHIPPING Group (and/or the associates of COSCO SHIPPING) will provide the Group the following services:

(1) computer and software maintenance services;

(2) accommodation, transportation and conference services;

(3) sale reception and employee catering services;

(4) supply of office supplies and labour supplies;

(5) vehicle rentals, repair, maintenance and chauffeur services;

(6) office equipment maintenance, property management, back office management and file management services;

(7) property leasing management services;

(8) printing, printer maintenance services and paper supply services;

(9) assistance to marine claims;

(10) medical services;

(11) training services;

(12) courier and gardening services; and

(13) other miscellaneous services.

Pricing Policy

The fees for the Miscellaneous Services will be determined by reference to the prevailing market price for similar type of services. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for similar type of services in their ordinary course of business in the same or neighboring areas under normal commercial terms. Further, the terms offered by the provider of the Miscellaneous Services shall be no less favorable than the terms received by the receiver of the Miscellaneous Services from independent third parties for similar type of services.

We have reviewed the 2021 Services Framework Agreement and noted that the pricing policy of the receipt of the Miscellaneous Services by the Group from the COSCO SHIPPING Group are the same as those stipulated in the Existing Services Framework Agreement. In addition, we have obtained and reviewed (i) a contract entered into between the Group and the COSCO SHIPPING Group for one of the Miscellaneous Services and (ii) a contract entered into between the COSCO SHIPPING Group and the Independent Third Parties for the same Miscellaneous Services. We note that the terms of the contracts entered into between the Group and the COSCO SHIPPING Group are no less favourable than that of the contracts entered into between the COSCO SHIPPING Group and the Independent Third Parties. Based on the above, we are of the view that the fees to be charged under the 2021 Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Term

Subject to the approval being obtained from the Independent Shareholders, the 2021 Services Framework Agreement will be effective from 1 January 2022 to 31 December 2024. Subject to compliance with the Listing Rules, the 2021 Services Framework Agreement may be renewed for another three years from 1 January 2025 upon written agreement by both parties.

3.3 Reasons for and benefits of the provision of Shipping Materials and Services, Crew Services and Miscellaneous Services by members of the COSCO SHIPPING Group to the Group under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and 2021 Services Framework Agreement

Certain members of the COSCO SHIPPING Group have been providing the necessary supporting shipping materials and services, crew services and miscellaneous services to the Group since the Group's establishment. The Shipping Materials and Services, Crew Services and Miscellaneous Services transactions are essential to the businesses and operations of the Group.

The terms of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement are the same as the Existing Shipping Materials and Services Framework Agreement, the Existing Sea Crew Framework

Agreement and the Existing Services Framework Agreement, respectively and have been arrived at after arm's length negotiations. The Board believes that securing the Shipping Materials and Services, Crew Services and Miscellaneous Services from the COSCO SHIPPING Group, who is an experienced service provider in the shipping industry, and/or its associates will strengthen the competitiveness of the Group.

In addition, we have reviewed the relevant internal control measures, in particular, (i) the Group will make reference to the historical price and terms of the Group providing such materials and/or services to independent third parties; (ii) the Group will obtain quotations from three independent third party suppliers/service providers for the provision of such materials and/or services and compare the quotations provided by COSCO SHIPPING Group and/or its associates against those quotation; (iii) the quotations will be reviewed and approved by the deputy general manager of the Company to ensure that the terms offered by COSCO SHIPPING Group and/or its associates to the Group are no less favourable than that offered by the independent third parties; and (iv) the Company has established a team responsible for reviewing the actual transaction amounts between the Group and COSCO SHIPPING Group and/or its associates periodically to ensure that the actual transaction amounts between the Group and its connected persons will not exceed the respective proposed annual caps.

In addition, the auditors of the Company will report on the continuing connected transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement; and (iii) have exceeded the proposed caps under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement; we concur with the Directors' view that, with the abovementioned internal control measure being taken place, the Group is able to ensure the relevant services to the Group from the COSCO SHIPPING Group and/or its associates under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement are to be provided on normal commercial term or better and the Group's interest can be sufficiently safeguarded.

Further, we have reviewed 2019 Annual Report and the 2020 Annual Report and noted that both the auditor and the independent non-executive directors confirmed that, among others, the terms of the Shipping Materials and Services, Crew Services and Miscellaneous services, were conducted on normal commercial terms and in accordance with the relevant pricing policies.

No reliance on the COSCO SHIPPING Group

The highest applicable percentage ratio under Chapter 14 of the Listing Rules in terms of the aggregated annual caps for the provision of the Shipping Materials and Services, the Crew Services and the Miscellaneous Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement respectively, amounts to approximately 66.82% on an annual basis, among which the highest applicable percentage ratio under

Chapter 14 of the Listing Rules in terms of the annual caps for the provision of the Shipping Materials and Services by the COSCO SHIPPING Group and/or its associates to the Group under the 2021 Shipping Materials and Services Framework Agreement, amounts to approximately 51.63% on an annual basis.

In the event that the COSCO SHIPPING Group and/or its associates fail to continue to provide the Shipping Materials and Services to the Group, or the terms and conditions of the Shipping Materials and Services offered by the COSCO SHIPPING Group and/or its associates to the Group become no longer fair or reasonable, or in the interest of the Company and its Shareholders as a whole, the Company can easily procure such Shipping Materials and Services from alternative suppliers at a similar price and quality in the open market. In addition, the Groups' purchase of the Shipping Materials and Services from the COSCO SHIPPING Group and/or its associates does not constitute the transaction becoming the Group's directly sole or primary source of revenue. After considering the factors above, we concur with the view of the Directors that the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement will not lead to the Group's excessive reliance on the COSCO SHIPPING Group and/or its associates or affect the Group's ability to operate on a stand-alone basis.

Having considered the above, we concur with the view of the Directors that the entering into the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement is in the usual and ordinary course of business of the Group and in the interests of the Group and the Shareholders as a whole.

3.4 Proposed annual caps for the Shipping Materials and Services

The proposed annual caps for the receipt of Shipping Materials and Services for the three years ending 31 December 2024 for the below continuing connected transactions under the 2021 Shipping Materials and Services Framework Agreement are as follows:

	For the year ending 31 December		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Proposed annual caps for the receipt of the Shipping Materials and Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	6,800,000	6,800,000	8,400,000

These annual caps have been determined based on the actual amounts paid by the Group under the Existing Materials and Services Framework Agreement for the two financial years ended 31 December 2020 and the six months ended 30 June 2021, management's estimates of fleet operational costs over the next three years ending 31 December 2024 and management's estimates of the market prices and other relevant market developments. The increment of the annual caps for the three years have been determined based on the estimated increase in shipping capacity and the estimated increase in revenue as a result of the increase in shipping capacity.

For the two years ended 31 December 2020 and the six months ended 30 June 2021, the amounts of the Shipping Materials and Services provided to the Group under the Existing Materials and Services Framework Agreement were approximately RMB4.2 billion, RMB4.7 billion and RMB1.8 billion, respectively.

We have obtained and reviewed the computation prepared by the Company in arriving the proposed annual caps for the Shipping Materials and Services for the three years ending 31 December 2024. We note that the supply of (i) fuel; (ii) shipping materials, marine lubricants and ship spare parts and (iii) ship repair services from the COSCO SHIPPING Group and/or its associates accounts for around 90% of the proposed annual caps for each of the three years ending 31 December 2024.

Supply of fuel

As advised by the management of the Company, the costs for fuel purchase are based on (i) the estimated fleet size of the Group in the coming three years as well as the fleet size of the Group's associated operating entities (the "**CHINA POOL**"); and (ii) the estimated fuel price.

Regarding the fleet size, after our discussion with the management of the Company, we are given to understand that the Group is expanding its fleet size for the three years ending 31 December 2024. As advised by the management of the Company, it is expected that the Group will wholly own and operate 134, 138 and 148 oil tankers for the three years ending 31 December 2024, respectively. Further, as discussed in the 2021 Interim Report, in the second half of 2021, CHINA POOL, an associated operating entity of VLCC under the Group and also the first associated operating entity of oil tanker in China, will officially operate in public. The Group plans to put all its own and controlled VLCC spot capacity into the operation of CHINA POOL. With the addition of external capacity, it will further expand the control capacity of the associated operating entity and provide customers with more available tonnage. Taking into consideration of the increasing fleet size of the Group as well as the CHINA POOL as mentioned above, we consider that the demand for the fuel is expected to increase. Regarding the fuel price, as advised by the management of the Company, in estimating the fuel price in 2022, they have made reference to the guidance price as per the budget prepared by the Group which are made reference to the historical prices of fuel from 2019 to 2021. In estimating fuel prices for 2023 and 2024, they have also made reference to the historical prices of fuel from 2019 to 2021. We note that the estimated fuel price is increasing for the three years ending 31 December 2024. In assessing the fairness and reasonableness on the increasing fuel prices, we have reviewed a report published by the Organization of the Petroleum Exporting Countries (OPEC) in September 2021, namely "World Oil Outlook", and noted that OPEC expects the worldwide oil demand to increase from 99.9 million barrel per day in 2022 to 102.7 million barrel per day in 2024. As such, it is expected that the price of oil and hence the fuel price will also increase along with the increasing demand.

Based on the above, we are of the view that the costs of fuel purchases are determined based on reasonable estimation and after due and careful consideration.

Supply of shipping materials, marine lubricants and ship spare parts

We have reviewed the computation prepared by the Company in arriving the costs of purchasing shipping materials, marine lubricants and ship spare parts for the three years ending 31 December 2024 and we note that such costs are determined based on (i) the actual total costs per vessel for shipping materials, marine lubricants and ship spare parts purchased in 2020; (ii) the estimated fleet size of the Group for each of the three years ended 31 December 2024; and (iii) a reasonable buffer of 10% to cater for unexpected fluctuation of market prices and change in specifications. Taking into consideration of the aforesaid, we are of the view the basis adopted in estimating the costs of purchasing shipping materials, marine lubricants and ship spare parts for the three years ending 31 December 2024 are fair and reasonable and after due and careful consideration.

Supply of ship repair services

We have reviewed the basis and assumptions prepared by the Company in arriving the costs of ship repair services for the three years ending 31 December 2024 and note that 2022 will be a major year for the ships repairment. In arriving the costs for ship repair services in 2022, the Company has made reference to (i) the actual total costs of ship repairment in 2020 and (ii) an increment of 20% taking into consideration that the age of the ships to be repaired will be older than that of the ships repaired in 2020 and hence require more costs to repair. For 2023, we note from the Company that the costs of ship repair services are lower than that of 2022 due to less ships are required to be repaired in 2023 as compared to that in 2022. For 2024, as advised by the management of the Company, 2024 will be another year for ship repairment. In arriving the costs for ship repair services in 2024, the Company has made reference to (i) the estimated total costs of ship repairment in 2022 and (ii) an increment of 10% taking into consideration that the age of the ships to be repaired will be older than that of the ships repaired in 2022 and hence require more costs to repair.

Taking into consideration of the aforesaid, we are of the view the basis and assumptions adopted by the Company in estimating the costs of ship repair services provided by COSCO SHIPPING Group and/or its associates for the three years ending 31 December 2024 are fair and reasonable and after due and careful consideration.

For the remaining Shipping Materials and Services, having considered that the expansion of fleet of the Group in the next three years as discussed above, it is expected the demand for the other shipping materials and services will surge and hence the demand for the Shipping and Materials Services will also increase.

In light of the above, we are of the view that the proposed annual caps for the Shipping Materials and Services under the 2021 Shipping Materials and Services Framework Agreement for the three years ending 31 December 2024 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3.5 Proposed annual caps for the Crew Services

The proposed annual caps for the receipt of Crew Services for the three years ending 31 December 2024 under the 2021 Sea Crew Framework Agreement are as follows:

	For the year ending 31 December		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Proposed annual caps for the receipt of Crew Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	2,200,000	2,200,000	2,400,000

The above proposed annual caps were determined with reference to (i) the actual amounts paid by the Group under the Existing Sea Crew Framework Agreement for the two financial years ended 31 December 2020 and the six months ended 30 June 2021; (ii) management's estimates of fleet operational costs over the next three years ending 31 December 2024; and (iii) management's estimates of the market prices and other relevant market developments. The increment of the annual caps for the three years have been determined based on the estimated increase in shipping capacity.

For the two years ended 31 December 2020 and the six months ended 30 June 2021, the amounts of the Crew Services provided to the Group under the Existing Sea Crew Framework Agreement were approximately RMB1.4 billion, RMB1.5 billion and RMB810.8 million, respectively.

We noted that the proposed annual caps are for the receipt of Crew Services for the three years ending 31 December 2024 are higher than historical amounts for the two years ended 31 December 2020 and the six months ended 30 June 2021. We have obtained and reviewed the basis and assumptions prepared by the Company in arriving the proposed annual caps and note that the Crew Services required are estimated based on (i) the estimated fleet size of the Group for the coming three years; and (ii) the potential salary increment for the crew members.

Regarding the estimated fleet size of the Group for the coming three years, as stated in the section "3.4 Proposed annual caps for the Shipping Materials and Services" above, it is expected that the Group directly owns and operates 134, 138 and 148 oil tankers for the three years ending 31 December 2024. With the increasing fleet size in the coming three years, it is expected that the demand for the crew members will increase further. As advised by the management of the Company, the potential salary increment for the crew members has also been included in the calculation of the annual caps. We noted that an increment of 30% to the salaries of the crew members for the year ending 31 December 2022 as compared to that of 2020 and 2021. As advised by the management of the Company, the salaries of the crew members have not been adjusted in 2020 and 2021. According to the index published by Shanghai Shipping Exchange (上海航運交易所), the China (Shanghai) International Crew's Remuneration Index (中國(上海)國際海員薪酬指數) increased from 1024 in

May 2020 to 1338 in September 2021, representing an increase of approximately 30.6%. As such, the management of the Company consider that there is a need to include a salary increment of 30% in arriving the annual cap for the year ending 31 December 2022, which we consider such increment is justifiable. For the salaries of the crew members in 2023 and 2024, we note that there will a slight annual increment of 2.5% which we consider is justifiable.

In light of the above, we are of the view that the proposed annual caps for the Crew Services under the 2021 Sea Crew Framework Agreement for the three years ending 31 December 2024 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3.6 Proposed annual caps for the Miscellaneous Services

The proposed annual caps for the receipt of Miscellaneous Services for the three years ending 31 December 2024 under the 2021 Services Framework Agreement are as follows:

	For the year ending 31 December		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Proposed annual caps for the receipt of Miscellaneous Services by the Group from the COSCO SHIPPING Group (excluding the Group) and/or its associates	70,000	70,000	70,000

The above proposed annual caps were determined with reference to (i) the actual amounts paid by the Group under the Existing Services Framework Agreement in the last two financial years ended 31 December 2020 and the six months ended 30 June 2021; and (ii) management's estimates of the market prices and other relevant market developments. The increment of the proposed annual caps for the three years have been determined based on the estimate increase in demand for computer and software maintenance services.

For the two years ended 31 December 2020 and the six months ended 30 June 2021, the historical transaction amounts of the Miscellaneous Services provided to the Group under the Existing Services Framework Agreement were approximately RMB17.0 million, RMB20.9 million and RMB8.9 million, respectively.

We have obtained and reviewed the computation prepared by the Company in arriving the proposed annual caps for the Miscellaneous Services for the three years ending 31 December 2024 and note that the receipt of (i) computer and software system maintenance service; (ii) property services; and (iii) education and training service is expected to account for over 90.0% of the proposed annual caps for the year ending 31 December 2024.

Based on the computation prepared by the Company, it is expected that the Company will incur approximately RMB37 million annually for the computer and software system maintenance services. As discussed with the management of the Company, we are given to understand that it is essential for the Company to constantly upgrade the shipping software system in order to support the Company's fleet expansion plan under the 14^{th} Five-year Plan. As such, the major focus are on shipping software system, including shipping, navigational platform, emergency command system and communication system etc., to support the service provided by vessels research institute. Based on our discussion with the management of the Company, we are given to understand that annual maintenance and upgrade is required for the aforesaid computer and software system. It is expected that the annual maintenance and upgrade of the shipping software system will cost approximately RMB22 million which are estimated with reference to historical transaction amounts. Further, based on our discussion with the management of the Company and review on the 2020 Annual Report, we understand that the Company intends to invest of approximately RMB12 million in computer and software system annually in the coming three years and the major focus will be the development in data management platform to form a unified technical support system with an aim to promote system optimization and data governance to enhance informatization capability. The management of the Company has also included a buffer for flexibility in arriving the proposed annual caps which we consider is justifiable.

In respect of property services, based on our discussion with the management of the Company, we are given to understand that such services will be provided for the Group's headquarters and it is expected that the Group will incur approximately RMB16 million annually which is estimated with reference to the actual historical amounts.

In respect of the education and training services, as advised by the management of the Company, we are given to understand that the Group intends to support the development of China COSCO SHIPPING Institute of Talents Development* (中國遠洋海運人才發展院), an institute which are directly affiliated to COSCO SHIPPING Group which mainly provides education and training to shipping talents and sea crews. Hence it is expected the Group will incur approximately RMB10.5 million annually for education and training services.

Given the COSCO SHIPPING Group is the parent company of the Group which has thorough understanding on the operation and business needs of the Group, we concur with the view of the Directors that it is justifiable to receive the Miscellaneous Services from COSCO SHIPPING Group rather than from independent third parties and hence the inclusion of such purchases in the proposed annual caps for the three years ending 31 December 2024 is fair and reasonable.

In light of the above, we are of the view that the proposed annual caps for the Miscellaneous Services under the 2021 Services Framework Agreement for the three years ending 31 December 2024 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that the entering into of the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests on the Company and the Shareholders as a whole, and the terms of the 2021 Financial Services Framework Agreement, the terms of the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2021 Financial Services Framework Agreement, the 2021 Shipping Materials and Services Framework Agreement, the 2021 Sea Crew Framework Agreement and the 2021 Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldlink Capital (Corporate Finance) Limited
Vincent Lok
Managing Director

Mr. Vincent Lok is a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Lok has more than 10 years of experience in corporate finance and investment banking industry.

* *for identification purposes only*

1. CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021, the audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 together with the relevant notes to the financial statements of the Group can be found on pages 40 to 94 of the interim report of the Company for the six months ended 30 June 2021, pages 98 to 230 of the annual report of the Company for the year ended 31 December 2020, pages 95 to 225 of the annual report of the Company for the year ended 31 December 2019 and pages 93 to 234 of the annual report of the Company for the year ended 31 December 2018. Please also see below the hyperlinks to the said interim report and annual reports:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429541.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042702211.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700469.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0916/2021091601314.pdf

2. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

3. FINANCIAL EFFECTS

The deposits to be placed with COSCO SHIPPING Finance under the 2021 Financial Services Framework Agreement for each of the three years ending 31 December 2024 are expected not to exceed RMB9,000,000,000 per year. The Company expects that the interest income to be earned from the deposits will be affected by the level of interest rates. However, taking into account the prevailing interest rates for deposits in the PRC, the potential interest income to be earned from the deposit services for the three years ending 31 December 2024 is expected to represent an insignificant portion of the Group's earnings and assets. As such, the Company anticipates that such potential interest income to be earned from the deposit services under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2024 will not have any material impact on the Group's earnings, assets and liabilities.

4. INDEBTEDNESS OF THE GROUP

As at 31 October 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately RMB23,968 million. Details of the total indebtedness are summarized below:

	Total	**Secured**	**Unsecured**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	20,497,885	13,723,155	6,744,730
Other loans	972,444	–	972,444
Corporate bonds	2,497,640	–	2,497,640

All borrowings were unguaranteed.

At the close of business on 31 October 2021, the Group had following significant contingent liabilities and guarantees:

To secure the obligation of the time charter agreements and loan agreements of associates and joint ventures, as at 31 October 2021, the Group provided corporate guarantees to the charterers for four associates and seven joint ventures of RMB127 million and provided corporate guarantees to the banks for three joint ventures of RMB2,412 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2021, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there were no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2021 up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

By the end of June 2021, the Group held and controlled 165 oil tankers with 24.91 million deadweight tons ("**DWT**"), representing a year-on-year increase of 13 vessels with 2.74 million DWT. In the first half of 2021, the Group realized a transportation volume (excluding time charters) of 81.25 million tonnes with a year-on-year increase of 0.2%; transportation turnover (excluding time charters) of 24.55 billion tonne-nautical miles with a year-on-year decrease of 4.8%; revenues from principal operations of RMB6.08 billion with a year-on-year decrease of 37.1%; cost of principal operations of RMB5.16 billion with a year-on-year decrease of 14.1%; gross profit margin decreased by 22.8 percentage points year-on-year; net profit attributable to shareholders of the Company was RMB0.58 billion with a year-on-year decrease of 80.3%; and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of RMB2.70 billion with a year-on-year decrease of 49.6%.

In the first half of 2021, the Group mainly took the following five methods and achieved better performance than the market average. Firstly, the Group accurately studied and judged market trends, and formulated diversified operating strategies that effectively improved voyage revenue. Secondly, the Group intensified our efforts in the exploitation of domestic oil shipping market, maximally allocated oil tankers with domestic and foreign trade qualifications to domestic operation and acquired the most profitable cargo. Thirdly, the Group focused on the development of LNG fleet and LNG transportation capacity scale recorded a year-on-year increase, further consolidating our stable income. Fourthly, the Group strengthened safety risk management, doubled its efforts in the inspection of potential safety hazards and normalized ship and shore epidemic prevention. Fifthly, the Group took various measures to promote cost management by implementing the cost plan into each cost project.

Looking forward to the future development, driven by the strategy of "self-transportation of national oil", China's influence in the global energy sector has become increasingly prominent, bringing huge business opportunities to the Group. As a leading domestic oil tanker owner, the Group is committed to providing high-quality energy transportation services to important domestic customers, with its global business network, solid vessel management expertise, and customer-centric marketing concepts. At the same time, the implementation of the strategy of "self-transportation of national oil" has brought a huge customer base and demand for cargo transportation to the Group. Through long-term, in-depth cooperation, the Group has established good partnerships with large domestic oil companies and domestic independent refineries, laying an important foundation for the business development and value creation capabilities of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

(a) As at the Latest Practicable Date, the interests of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the shares, underlying shares and debentures of the Company

Name of Director	Nature of interest	Class of Shares (1)	Number of Shares held as at the Latest Practicable Date (2)	Approximate percentage of total number of the relevant class of Shares	Percentage of total number of issued Shares
Zhu Maijin ("**Mr. Zhu**") (3)	Beneficial owner	A	416,000(L)	0.01200%	0.00873%
Zhao Jinsong	Beneficial owner	H	6,000(L)	0.00046%	0.00013%

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

Name of associated corporation	Name of Director	Nature of interest	Class of Shares (1)	Number of Shares held as at the Latest Practicable Date (2)	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Teo Siong Seng	Beneficial owner	H	146,250(L)	0.00436%	0.00091%
	Mr. Yang Lei	Beneficial owner	H	131,400(L)	0.00392%	0.00082%
		Interest of spouse(4)	H	2,000(L)	0.00006%	0.00001%
		Interest of spouse(4)	A	8,000(L)	0.00024%	0.00005%
COSCO SHIPPING Development Co., Ltd.	Mr. Yang Lei	Beneficial owner	H	213,000(L)	0.00579%	0.00183%
COSCO SHIPPING Ports Limited	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597(L)	0.00080%	0.00080%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000(L)	0.04305%	0.04305%

Notes:

(1) A – A shares

H – H shares

(2) L – Long position

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in any Shares or underlying Shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) As at the Latest Practicable Date, save as disclosed below, so far as was known to the Directors, no Director was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Position held in COSCO SHIPPING and/or its subsidiaries
Ren Yongqiang	General manager of the Human Resources Division and the head of the Organization Division of COSCO SHIPPING
Zhang Qinghai	A director of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING (North America) Inc. and COSCO SHIPPING Specialized Carriers Co., Ltd. (stock code: 600428.SH), and a supervisor of COSCO SHIPPING Logistics Co., Ltd.
Liu Zhusheng	A director of COSCO SHIPPING Technology Co., Ltd. (stock code: 002401.SZ) and Shanghai Ship and Shipping Research Institute

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder of the Company under Rule 8.10 of the Listing Rules.

4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. QUALIFICATIONS OF EXPERT AND CONSENT

The following is the qualification of the professional adviser who has been named in this circular and whose opinion or advice is contained in this circular:

Name	Qualifications
Goldlink Capital (Corporate Finance) Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Goldlink Capital (Corporate Finance) Limited was not beneficially interested in the share capital of any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Goldlink Capital (Corporate Finance) Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, Goldlink Capital (Corporate Finance) Limited had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 7 December 2021 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and reference to its name and opinion in the form and context in which it appears.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, no member of the Group has entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

10. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

11. MISCELLANEOUS

(a) The registered office of the Company is located at Room A-1015, No. 188 Ye Sheng Road, China (Shanghai) Free Trade Port Area, the PRC.

(b) The head office and principal place of business of the Company in the PRC is 7th Floor, 670 Dongdaming Road Hongkou District, Shanghai, the PRC.

(c) The place of business of the Company in Hong Kong is Rooms 3601-3602, 36/F West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(d) The Hong Kong branch share registrar of the Company is Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The secretary of the Company is Ms. Yao Qiaohong, being an affiliated person of The Hong Kong Institute of Chartered Secretaries.

(f) This circular is in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

12. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (https://energy.coscoshipping.com) for a period of 14 days from the date of this circular (both days inclusive):

(a) each of the 2021 Framework Agreements;

(b) the letter from the Independent Board Committee, the text of which is set out in pages 36 to 37 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out in pages 38 to 65 of this circular; and

(d) the written consent from the Independent Financial Adviser referred to in the paragraph headed "7. Qualifications of Expert and Consent" in this Appendix.

Set out below is the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the three years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021 (the "**Management Discussion and Analysis**"). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas shipment and vessel chartering.

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Business and Financial Review

By the end of June 2021, the Group held and controlled 165 oil tankers with 24.91 million DWT, representing a year-on-year increase of 13 vessels with 2.74 million DWT. In the first half of 2021, the Group realised a transportation volume (excluding time charters) of 81.25 million tonnes with a year-on-year increase of 0.2%; transportation turnover (excluding time charters) of 24.55 billion tonne-nautical miles with a year-on-year decrease of 4.8%; revenues from principal operations of RMB6.08 billion with a year-on-year decrease of 37.1%; cost of principal operations of RMB5.16 billion with a year-on-year decrease of 14.1%; gross profit margin decreased by 22.8 percentage points year-on-year; net profit attributable to shareholders of the Company was RMB0.58 billion with a year-on-year decrease of 80.3%; and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of RMB2.70 billion with a year-on-year decrease of 49.6%.

In the first half of 2021, the Group mainly took the following five methods and achieved better performance than the market average. Firstly, we accurately studied and judged market trends, and formulated diversified operating strategies that effectively improved voyage revenue. Secondly, the Group intensified its efforts in the exploitation of domestic oil shipping market, maximally allocated oil tankers with domestic and foreign trade qualifications to domestic operation and acquired the most profitable cargo. Thirdly, the Group focused on the development of LNG fleet and LNG transportation capacity scale recorded a year-on-year increase, further consolidating its stable income. Fourthly, the Group strengthened safety risk management, doubled its efforts in the inspection of potential safety hazards and normalized ship and shore epidemic prevention. Fifthly, the Group took various measures to promote cost management by implementing the cost plan into each cost project.

In the first half of 2021, the Group's cost from principal operations was approximately RMB5.16 billion, representing a year-on-year increase of 11.3%. The Group has effectively reduced the voyage costs through optimisation of voyage speed efficiency and reasonable management and control of fuel consumption in every work procedure. For the six months ended 30 June 2021, the fuel consumption of the Group cut down by 8.7% as compared to the same period of last year. Meanwhile, thanks to its integrated planning efforts, the Group reduced the procurement expenses with a purchase price of fuel lower than the market price in the same period. The Group also took the initiative to negotiate and sign new agreements for favourable port charges with domestic major ports, which has brought positive impact on cost control on ports cost of the Company during the first half of the year. In addition, during the first half of 2021, the repair expenses of the Group decreased, mainly due to the decrease in the number of dry-docking vessels of the Group compared to the same period of 2020, and the implementation of new accounting method of estimation.

Segment results

The Group had three main operating business segments, namely (i) international oil shipping business, (ii) domestic oil shipping business and (iii) LNG shipping business.

(1) International oil shipping business

In the first half of 2021, the international tanker fleet of the Group completed revenue from international oil shipping reached RMB2.70 billion, representing a year-on-year decrease of 57.7%; gross loss of the transportation reached RMB0.30 billion, representing a year-on-year decrease of RMB2.95 billion; and gross profit margin hit -11.2%, representing a year-on-year decrease of 52.6 percentage points. On the aspect of international tanker operation, the Group scientifically deployed its transportation capacity resources, optimized its fleet operation plan, and made active response to the extremely depressed international oil shipping market in the first half of 2021.

(1) The Group served the globalized network by optimizing route planning and customer sourcing. Taking advantage of its global service outlets, the Group varied operating strategies for different types of vessels, and continued to increase efforts in the exploitation of the most profitable cargo; signed new contracts of affreightment ("**COAs**") to lock in cargo; fully undertook the shipment of China's refined oil export and built a big triangle route linking China, Singapore, Middle East and Far East. Additionally, the Group expanded eastward route to Australia and westward route to East Africa and Europe, which makes the route structure and customer groups increasingly diverse.

(2) The Group adjusted the vessel repair plan in a timely manner. Considering the changing international political and economic situations, the global epidemic, and the supply and demand of the oil shipping market, it fully assessed and adjusted the annual repair schedule for 32 vessels in a timely manner, effectively reducing the operating days of vessels in the extremely sluggish market, and making arrangements for subsequent market recovery.

(3) The Group endeavored to tap the cost management. It focused on the control of bunker fuel consumption, optimized the most efficient voyage speed, and strictly monitored the fuel consumption of each process of the voyage. The Group strengthened market research and judgment, made coordinated and overall planning for fuel procurement, to ensure that the average purchase price is lower than the market in the same period, so as to achieve reduction in procurement expenditures.

(2) Domestic oil shipping business

In the first half of 2021, the domestic oil shipping market mainly remained stable. The operating performance of the domestic trade tanker fleet increased significantly year-on-year. The Group recorded domestic oil shipping revenue of RMB2.76 billion, representing a year-on-year increase of 6.7%; shipping gross profit of RMB0.90 billion, representing a year-on-year increase of 39.6%; and gross profit margin of 32.7%, representing a year-on-year increase of 7.7 percentage points. The Group actively adapted to market changes, and continuously made innovations in operating measures, to enhance the ability of creating efficiency for domestic oil shipping trade.

(1) The Group increased its business exploitation. By signing COAs with a number of domestic trade customers, it locked in more than 90% of fundamental cargo sources. The Group acquired high-quality cargo, accurately served customers and expanded market share of domestic crude oil shipping, which reached approximately 57%;

(2) The Group flexibly allied its domestic and international fleet. Firstly, it allied operation of domestic and international transportation to differentiate its transportation capacity allocation in response to the different domestic and international oil shipping market situations in the first half of 2021, and made full use of the operating capacity of domestic and international trade, to increase revenue and market share of domestic oil shipping, thus relieving operating pressure of international oil shipping. Secondly, the Group allied operation of crude and product oil transportation to deploy cargo across different income levels to maximize the overall income of the fleet according to different characteristic of the vessel. Thirdly, the Group allied operation of large and small ships to formulate a whole-process transportation plan before acquiring crude oil imports, and made close linkage with domestic trade and transshipment based on the customer's logistics demand, thus create value-added services for customers.

(3) LNG shipping business

In the first half of 2021, the Group realized a net profit attributable to parent company from the LNG shipping segment of RMB342 million, representing a year-on-year increase of 0.6%. The Group focus on new LNG projects development and enhanced ship management. In the first half of the year, the Group actively participated in the development of a number of new LNG projects under international tenders and followed up on key projects in an orderly manner. On the aspect of fleet management, the Group accelerated the promotion of a high-standard ship management system, equipped with high-quality management personnel and expanded a high-level crew team, so as to continuously enhance the capacity of the entire LNG transportation chain.

Liquidity and Financial Resources

Liquidity and borrowings

During the six months ended 30 June 2021, the Group's net cash generated from operating activities was approximately RMB1,605,367,000, representing a decrease of approximately 54% as compared to approximately RMB3,507,055,000 for the six months ended 30 June 2020.

As at 30 June 2021, the balance of cash and cash equivalents amounted to RMB3,758,213,000, representing a decrease of RMB1,111,750,000 and by 23% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and United States dollar ("**USD**"), the remainder are denominated in Euro, Hong Kong dollar ("**HKD**") and other currencies.

As at 30 June 2021 and 31 December 2020, details of the interest-bearing bank and other borrowings are as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Current liabilities		
(i) Bank borrowings		
Secured	**1,302,318**	1,303,003
Unsecured	**5,105,968**	5,346,418
	6,408,286	6,649,421
(ii) Other borrowings		
Unsecured	**33,000**	33,000
Interest-bearing bank and other borrowings – current portion	**6,441,286**	6,682,421
Non-current liabilities		
(i) Bank borrowings		
Secured	**12,448,646**	12,851,065
Unsecured	**839,813**	848,237
	13,288,459	13,699,302
(ii) Other borrowings		
Unsecured	**69,850**	109,850

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings – non-current portion	**13,358,309**	13,809,152

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

Net current liabilities

As at 30 June 2021, the Group's net current liabilities amounted to RMB2,951,664,000. Current assets mainly included inventories of RMB922,452,000, contract assets of RMB547,839,000, trade and bill receivables of RMB1,156,215,000, prepayments, deposits and other receivables of RMB864,369,000, and cash and cash equivalents of RMB3,758,213,000. Current liabilities mainly included trade and bills payables of RMB1,420,870,000, other payables and accruals of RMB957,021,000, dividends payable of RMB952,538,000, current portion of interest-bearing bank and other borrowings of RMB6,441,286,000 and current portion of lease liabilities of RMB316,112,000.

Gearing ratio

As at 30 June 2021, the Group's net gearing ratio (i.e. net debts over total equity) was 60%, which was near to 59% as at 31 December 2020.

Foreign Exchange Risk

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

Capital Expenditures

As at 30 June 2021, the Group did not have capital expenditures on acquisitions, machinery or equipment.

Capital Commitments

As at 30 June 2021 and 31 December 2020, details of the Group's capital commitments are as follows:

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Authorised and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**3,696,910**	5,382,212
Project investments	*(ii)*	**918,626**	–
		4,615,536	5,382,212

Note:

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

(2) Included in capital commitments in respect of project investments are commitments to invest in certain projects to be held by Shanghai LNG.

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 RMB32,376,000 (31 December 2020: RMB43,168,000).

Pledge on Assets

As at 30 June 2021, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 46 (31 December 2020: 45) vessels with total net carrying amount of RMB21,462,931,000 (31 December 2020: RMB23,326,942,000) and pledged bank deposits.

Contingent Liabilities and Guarantee

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

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

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

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to approximately RMB52,973,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

(ii) At the 7th Board meeting in 2014, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Group for the Yamal LNG project (the "**Three Joint Ventures**"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited for the Three Joint Ventures, and provides owner's guarantees to the charterer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively.

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was nil. As at 30 June 2021, the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB41,345,000).

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377,500,000 (equivalent to approximately RMB2,438,688,000), 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 provided owner's guarantee for the Four Single vessel Companies with the amount of Euro4,500,000 (equivalent to approximately RMB34,588,000).The guarantee period is limited to the lease period.

Save as disclosed above, the Group did not have other contingent liabilities and guarantees for the six months ended 30 June 2021.

Material Acquisitions or Disposals and Future Plans for Material Investments

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the six months ended 30 June 2021.

As at 30 June 2021, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

Employees and Emoluments

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

As at 30 June 2021, the Company had 7,435 employees (as at 30 June 2020: 6,876).For the six months ended 30 June 2021, the total staff cost of the Company was approximately RMB1.23 billion (for the same period in 2020: approximately RMB968 million).

FOR THE YEAR ENDED 31 DECEMBER 2020

Business and Financial Review

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

In 2020, the Group's cost from principal operations was approximately RMB12.387 billion, representing a year-on-year increase of 11.3%. 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 year ended 31 December 2020, the vessel drydocking increased by 20 shipments year-on-year, resulting in a year-on-year increase in the repair expenses. In addition, during the year ended 31 December 2020, 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 also 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.

Segment results

The Group had three main operating business segments, namely (i) international oil shipping business, (ii) domestic oil shipping business and (iii) LNG shipping business.

(1) International oil shipping 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) The Group closely studied the market, adjusted dry-docking plans, and increased transport capacity at market highs. For the year ended 31 December 2020, the Group adjusted the repair schedule of 9 Very Large Crude Carriers ("**VLCCs**") to increase operating days totaling 333 days in the boom market to maximize overall operating efficiency.

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

(3) The Group 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.

(2) 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) The Group's market share recorded a steady increase as it developed a number of major emerging customers in the domestic market and broadened its cargo profile in 2020, which consolidated its leading position in domestic oil shipping market. During the year ended 31 December 2020, the Group's market share of domestic oil shipping has increased year-on-year.

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

(3) 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 31 December 2020, 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 its business stability and anti-cyclical resilience.

Liquidity and Financial Resources

Liquidity and borrowings

For the year ended 31 December 2020, the Group's net cash generated from operating activities 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.

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, HKD and other currencies.

As at 31 December 2020 and 31 December 2019, details of interest-bearing bank and other borrowings are as follows:

	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

		31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
(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, 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.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans, bonds payable and lease liabilities less cash and cash equivalents.

Net current liabilities

For the year ended 31 December 2020, the Group's net current liabilities amounted to RMB2,013,369,000. Current assets mainly included inventories of RMB859,472,000, contract assets of RMB632,043,000, trade and bills receivables of RMB668,509,000, prepayments, deposits and other receivables of RMB810,161,000 and cash and cash equivalents of RMB4,869,963,000. Current liabilities mainly included trade and bills payables of RMB1,610,104,000, other payables and accruals of RMB1,136,151,000, current portion of interest-bearing bank and other borrowings of RMB6,682,421,000 and current portion of lease liabilities of RMB325,126,000.

Gearing ratio

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 year ended 31 December 2020.

Foreign Exchange Risk

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

Capital Expenditures

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.

Capital Commitments

As at 31 December 2020 and 31 December 2019, details of the Group's capital commitments are as follows:

	Note	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
Authorised 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 RMB nil (31 December 2019: RMB1,516,348,000).

Pledge on Assets

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).

Contingent Liabilities

For details of the Lease Guarantees constituting the contingent liabilities of the Group for the year ended 31 December 2020, please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS - FOR THE SIX MONTHS ENDED 30 JUNE 2021 - Contingent Liabilities and Guarantee" of this Appendix.

Save as disclosed above, the Group did not have other contingent liabilities for the year ended 31 December 2020.

Material Acquisitions or Disposals and Future Plans for Material Investments

On 12 June 2020, (i) Dalian Tanker and COSCO SHIPPING Investment Dalian Co., Ltd.* (中遠海運大連投資有限公司) ("**COSCO SHIPPING Investment Dalian**") entered into the equity transfer agreements, pursuant to which Dalian Tanker has agreed to dispose of, and COSCO SHIPPING Investment Dalian has agreed to acquire: (a) 70% of the equity interests in Shenzhen COSCO Longpeng LPG Transportation Co., Ltd.* (深圳中遠龍鵬液化氣運輸有限公司) at the consideration of RMB77,455,500; (b) 60% of the equity interests in COSCO Shipping Tanker (Dalian) Electronics Co., Ltd.* (大連中遠海運油運電子有限公司) at the consideration of RMB2,442,200; (c) 57.5% of the equity interests in COSCO Shipping Tanker (Dalian) Haven Automation Co., Ltd.* (大連中遠海運油運希雲自動化有限公司) at the consideration of RMB1,833,200; and (d) 15% of the equity interests in Da-In Ferry Co., Ltd.* (大仁輪渡有限公司) at the consideration of RMB7,102,900; (ii) Dalian Tanker and COSCO SHIPPING Investment Dalian entered into the asset transfer agreement, pursuant to which Dalian Tanker has agreed to dispose of, and COSCO SHIPPING Investment Dalian has agreed to acquire, certain properties, land, vehicles and equipment of Dalian Tanker at the consideration of RMB220,599,600; and (iii) Dalian Tanker and COSCO Shipping Tanker (Dalian) Material Supply Co., Ltd.* (大連中遠海運物資供應有限公司) ("**Dalian Material Supply**") entered into the asset transfer agreement, pursuant to which Dalian Tanker has agreed to dispose of, and Dalian Material Supply has agreed to acquire certain assets, inventories and creditor's right of COSCO Shipping Tanker (Dalian) Supply Branch Company* (大連油運供應分公司), a branch company of Dalian Tanker, at the aggregate consideration of RMB92,664,500. The Directors are of the view that the disposals will enable the Group to divest its non-principal businesses, optimize resources and assets allocation and is in line with the strategic positioning of the Group in developing the oil and gas transportation businesses.

Save as disclosed above, there was no other material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the year ended 31 December 2020.

As at 31 December 2020, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

Employees and Emoluments

As at the end of 2020, the Company had approximately 7,398 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the incentive scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2020, the total staff costs was approximately RMB2.720 billion (2019: approximately RMB2.547 billion).

FOR THE YEAR ENDED 31 DECEMBER 2019

Business and Financial Review

In 2019, the Group realized a total transportation volume (excluding time charters) of 150.35 million tons, a decrease of 2.9% year-on-year. The transportation turnover (excluding time charters) was 440.78 billion ton-nautical miles, a decrease of 19.2% year-on-year; the revenues from principal operations was RMB13.721 billion, a year-on-year increase of 13.4%; the cost from principal operations was RMB11.125 billion, a year-on-year increase of 8.0%; gross profit margin increased by 4.1 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB414 million, representing a year-on-year increase of 454.2%; EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was RMB5,295 million, representing an increase of 36.3% year on year.

In 2019, facing the complex external environment and dramatic fluctuations of the international oil shipping market, the Group mainly focused on the following aspects and achieved hard-earned operating results: firstly, consolidating its core business while exploring new opportunities, strengthening cooperation with major clients and proactively expanding into the international market, through developing new routes and new clients; secondly, carrying out accurate market analysis and optimizing the route layout, so as to improve the proportion of high yield VLCC routes; thirdly, exploring the incremental market demand and deepening the cooperation with private refineries, so as to consolidate the leading position in domestic oil shipping; and fourthly, steadily increasing the size of LNG carrier fleet, which secured stably growing profit for the Group.

In 2019, the Group's cost from principal operations was approximately RMB11.125 billion, with a year- on-year increase of 8.0%, notwithstanding adoption of cost control practices and maximization of the benefits from the synergy effect of bulk procurement by the Group. For the year ended 31 December 2019, the Group's vessels in drydock increased by over 60% year-on- year. Due to the aging of vessels and the sulfur cap, spare parts replacement and drydocking programs increased and the expenses per drydocking vessel increased accordingly. In addition, the Group adopted the new lease accounting standard, which expanded the right-of-use lease assets and brought up the ship depreciation expenses.

Segment results

The Group had three main operating business segments, namely (i) international oil shipping business, (ii) domestic oil shipping business and (iii) LNG shipping business.

(1) International oil shipping business

In 2019, the Group seized the recovering trend of the international oil shipping market, recorded international oil shipping revenues of RMB7.312 billion, a year- on-year increase of 10.9%, a shipping gross profit of RMB608 million, a year-on-year increase of RMB644 million and gross profit margin of 8.3%, a year-on-year increase of 8.9 percentage points.

(1) Accurate market analysis and route layout optimization secured a significant year-on-year improvement in operating revenue. During the year ended 31 December 2019, the Group performed in-depth analysis on the international oil shipping market, reasonably arranged the combination of long- haul and short-haul routes in order to enhance the overall profitability of the fleet. In 2019, the operating days of the VLCC fleet in triangular route increased by 10.5% as compared to the same period of last year.

(2) Actively developed the international market and served the world. The Group actively globalized its businesses and cooperated with a number of first-time customers in Europe and the United States, to further internationalize and diversify the customer and business networks. The overseas subsidiaries of the Group achieved remarkable results in business development. In 2019, the UK branch completed 21 shipments in total, of which the cargo volume of routes other than TD3C accounted for approximately 76.2%; the U.S. branch completed 13 shipments in total, among which the cargo volume of long-haul routes such as the triangular routes, the US Gulf/Caribbean-Far East and Brazil-Far East accounted for approximately 69.2%.

(3) Actively responded to the 2020 global sulfur limit by International Maritime Organization ("**IMO**") and promoted the sustainable development of the industry. Currently, all oil tankers of the Group use low-sulfur fuel to meet the IMO 2020 sulfur limit. The Group employed the economies of scale from the centralized procurement by the COSCO SHIPPING Group to ensure sufficient supply of low-sulfur fuel, and seized the opportunity of market fluctuation to secure low-sulfur fuel oil at fixed pricing in two batches, which effectively kept the fuel cost in control. In addition, the Group cooperated with Dalian Shipbuilding Industry Company Limited to develop the world's first LNG dual-fuel VLCC in compliance with EEDI PHASE III (phase III of ship energy efficiency design index), exploring sustainable development of business operations and the environment and society.

(2) Domestic oil shipping business

During the year ended 31 December 2019, the Group recorded domestic oil shipping revenue of RMB4.99 billion, a year-on-year increase of 19.0%; shipping gross profit of RMB1.243 billion, a year-on-year increase of 10.1%; and gross profit margin of 24.9%, a year- on-year decrease of 2.0 percentage points.

(1) Expanded into the incremental market and facilitate the large-scale integrated development of refineries. During the year ended 31 December 2019, the Group captured the oil transshipping market, developed the bonded fuel business, recruited a number of new domestic customers and achieved a percentage of COA cargo volume in domestic oil shipping of over 90%. During the year, the Group facilitated the opening of Panjin deep-water channel where a large tanker successfully berthed to meet the needs of large-scale and integrated independent refineries and allow key customers to improve logistics efficiency.

(2) Leveraged the advantages of the new structure to enhance the overall efficiency of the fleet. In 2019, the Group redesigned the organizational structure, set up the Tanker Department to operate oil tanker types other than VLCC and Suezmax, closely monitored both the domestic and international trade markets, actively coordinated internal and external resources, and allocated domestic and foreign trade tankers based on the principle of maximizing overall efficiency. In 2019, the Group performed 21 shipments with domestically and internationally connected tanker services, representing a year-on-year increase of 10 shipments.

(3) Realized synergy and built core competitiveness in domestic product oil transportation. In 2019, the Group used COSCO PetroChina SHIPPING as a product oil transportation platform to consolidate its internal product oil transportation resources and strengthen its leading position in this market. The Group integrated resources to increase the shipping volume of larger tankers by more than 5 times. During the year ended 31 December 2019, the Group recorded domestic trade product oil transportation income of RMB2.328 billion, representing a year-on-year increase of 37.0%, and COSCO PetroChina SHIPPING recorded a net profit of RMB147.63 million, representing a year-on-year increase of 37.7%.

(3) LNG shipping business

During the year ended 31 December 2019. the Group recorded LNG shipping revenue of RMB1.321 billion, a year-on-year increase of 11.9%; shipping gross profit of RMB713 million, a year-on-year increase of 7.7%; and gross profit margin of 53.9%, a year-on-year decrease of 2.1 percentage points, and the investment income from the LNG shipping segment amounted to RMB448 million, representing a year-on-year increase of 83.23%; profit before tax amounted to RMB603 million, representing a year-on-year increase of 47.61%.

(1) The management system was recognized by authorities, and the international competitiveness continued to improve. In June 2019, Shanghai LNG, a subsidiary of the Group, passed the certification of Lloyd's Shipping Register and obtained the first certificate for quality, health, safety and environment (QHSE) management system in China's LNG shipping industry, which was aligned with the three international standards of ISO9001, 14001 and 45001. The accomplishment of the authoritative certification for the management system strengthened the Group's position as a leader in China's LNG shipping business and enhanced the Group's competitiveness in participating in international LNG shipping.

(2) The size of LNG fleet continued to expand with the "secondary development curve" pedalled on pace. In 2019, the Group's LNG shipping business expanded steadily. During the year, a total of 9 vessels with 1.55 million cubic meters in which the Group invested were put into operation. As at the end of 2019, a total of 35 vessels with 5.90 million cubic meters the Group invested in were put into operation. The Group has recognized the transportation of clean energy as the second development curve, and will seize market opportunities, give full play to competitive advantages and promote the development of potential LNG shipping projects.

Liquidity and Financial Resources

Liquidity and borrowings

For the year ended 31 December 2019, the Group's net cash generated from operating activities was RMB5,230,362,000, representing an increase of approximately 142.59% as compared to approximately RMB2,156,032,000 for the year ended 31 December 2018.

As at 31 December 2019, the balance of cash and cash equivalents amounted to RMB3,919,500,000, representing an increase of RMB451,576,000 and by 13% 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, HKD and other currencies.

As at 31 December 2019 and 31 December 2018, details of the interest-bearing bank and other borrowings are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Current liabilities		
(i) Bank borrowings		
Secured	**1,298,978**	1,302,590
Unsecured	**5,022,864**	4,361,564
(ii) Other borrowings	**6,321,842**	5,664,154
Unsecured	**2,233,000**	1,372,410
Interest-bearing bank and other borrowings – current portion	**8,554,842**	7,036,564
Non-current liabilities		
(i) Bank borrowings		
Secured	**15,124,697**	15,865,245
Unsecured	**2,057,979**	2,745,280
(ii) Other borrowings	**17,182,676**	18,610,525
Unsecured	**142,850**	175,850
Interest-bearing bank and other borrowings – non-current portion	**17,325,526**	18,786,375

As at 31 December 2019, secured bank borrowings of RMB16,274,975,000 (31 December 2018: RMB16,991,135,000) and unsecured bank borrowings of RMB7,080,843,000 (31 December 2018: RMB7,106,844,000) are denominated in USD.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans and bonds payable less cash and cash equivalents. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

Net current liabilities

As at 31 December 2019, the Group's net current liabilities amounted to RMB5,420,562,000. Current assets mainly included current portion of loan receivables of RMB1,069,762,000, prepayments, deposits and other receivables of RMB2,742,710,000, and cash and cash equivalents of RMB551,354,000. Current liabilities mainly included trade and bills payables of RMB337,390,000, other payables and accruals of RMB2,456,895,000, and current portion of interest-bearing bank and other borrowings of RMB2,450,000,000.

Gearing ratio

As at 31 December 2019, the Group's net gearing ratio (i.e. net debts over total equity) was 88%, which was lower than 94% as at 31 December 2018. The decrease was primarily due to the decrease in borrowings for the year ended 31 December 2019.

Foreign Exchange Risk

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

As at 31 December 2019, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the year ended 31 December 2019 would have been RMB23,287,000 higher/lower (31 December 2018: RMB3,907,000 lower/higher), 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.

Capital Expenditures

In 2019, the cash outflow from investment activities of the Group, including the payments for construction and purchase of new vessels, vessel reconstruction and capital increases (in terms of equity investment and loans) into associates and joint ventures of the Group, was approximately RMB1.422 billion including capital expenditure of approximately RMB1.086 billion paid for the construction and purchase of new vessels.

Capital Commitments

As at 31 December 2019 and 31 December 2018, details of the Group's capital commitments are as follows:

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
Authorised and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,156,464**	6,446,633
Project investments	*(ii)*	**–**	179,130
		6,156,464	6,625,763

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2020 to 2021.

(ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects held by China LNG Shipping (Holdings) Limited ("**CLNG**").

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 RMB246,703,000 (31 December 2018: nil). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,516,348,000 (31 December 2018: RMB2,565,694,000).

Pledge on Assets

As at 31 December 2019, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2018: 44) vessels with total net carrying amount of RMB25,869,196,000 (31 December 2018: RMB25,528,346,000).

Continent Liabilities

For details of the Lease Guarantees constituting the contingent liabilities of the Group for the year ended 31 December 2019, please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS - FOR THE SIX MONTHS ENDED 30 JUNE 2021 – Contingent Liabilities and Guarantee" of this Appendix.

Save as disclosed above, the Group did not have other contingent liabilities for the year ended 31 December 2019.

Material Acquisitions or Disposals and Future Plans for Material Investments

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the year ended 31 December 2019.

As at 31 December 2019, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets.

Employees and Emoluments

As at the end of 2019, the Company had approximately 6,929 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the incentive scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2019, the total staff costs was approximately RMB2.547 billion (2018: approximately RMB2.153 billion).

FOR THE YEAR ENDED 31 DECEMBER 2018

Business and Financial Review

In 2018, the Group owned and controlled oil tanker transportation capacity of 6,489.6 million tonne-days with a year-on-year increase of 17.0%; a shipping volume of 154.84 million tonnes with, a year-on-year increase of 29.54%; a shipping turnover of 545.37 billion ton-nautical miles with a year-on-year increase of 34.05%. The Group achieved revenue from principal operations of RMB12,099.7 million with a year-on-year increase of 27.3%; and costs from principal operations of RMB10,304.1 million at a year-on-year increase of 38.5%. The net profit attributable to shareholders of the Company was RMB74.68 million, representing a year-on-year decrease of 95.8%; EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was RMB3,883.9 million, representing a decrease of 18.1% year on year.

In 2018, facing the difficult situation of the international oil shipping market, the Group has outperformed the market by primarily strengthening the implementation of the following five business strategies: first, gave full play to the role of global satellite offices and cooperation with major clients to further increase the proportion of high-yield routes so that the contribution of key projects attained outstanding results and the VLCC fleet outperformed the market; second, completed the acquisition of the product oil fleet of PetroChina, contributing to the revenue from domestic oil shipping business which increased by 45.8% year-on-year; third, employed the advantages of both domestic and foreign trade, carried out the linkage of domestic and foreign shipping capacity, and innovated the implementation of quasi-liner services, to ensure that fleet operating efficiency outperforms the market. Fourth, vigorously implemented lean management over cost control and the overall increment in cost was under control against the background of significant increase in self-operated capacity and fuel price. Fifth, the LNG shipping business continued to be a source of rapid growth. During the year, the LNG segment contributed a total profit before tax of RMB410 million, reaching a record high, with a year-on-year increase of 72.9%.

In 2018, in light of severe market conditions, the Group implemented lean management over cost control in all key aspects, and the overall increment in cost was under control given that the year-on-year increase in self-operated capacity hit 34.1% and that in international fuel price reached 31.3%. In 2018, the Group's cost from principal operations was approximately RMB10,304 million, with a year-on-year increase of 38.5%.

Segment results

The Group had three main operating business segments, namely (i) international oil shipping business, (ii) domestic oil shipping business and (iii) LNG shipping business.

(1) International oil shipping business

In 2018, the transportation capacity of oil tankers of the Group has further improved. As of 31 December 2018, the Group owned and controlled 151 oil tankers with a total capacity of 21.88 million DWT, representing an increase of 29 oil tankers with a total capacity of 3.15 million DWT compared with the end of last year. In 2018, the Group recorded foreign trade oil shipping volume of 86.6 million tonnes, a year-on-year increase of 32.9%; the turnover of foreign trade oil shipping of 514.3 billion tonne-nautical miles at a year-on-year increase of 33.5%; shipping income of RMB6.60 billion at a year-on-year increase of 12.4%. Facing the market downturn, the Group gave full play to the advantages in fleet size, global network and strategic customers, and thus enabled the overall income level of VLCC fleet to outperform the market TCE level in the same period.

(1) By strengthening the global network and fleet placement planning, the Group enabled the operating income to outperform that of traditional routes. The Group used data models to strengthen fleet placement planning and give full play to the role of four overseas business outlets in Houston, London, Singapore and Hong Kong. The Group expanded into new customers and new routes in the small triangle route of the Red Sea, the big triangle route linking West America, the US Gulf-Far East route and the Brazil-Far East route. Its supply network and route layout are more global, and the operating TCE level are higher than the market level of the traditional route at the same period.

(2) By giving full play to cooperation with strategic customers to make forward-looking layout, key projects made outstanding contribution. The Group chartered in 5 VLCCs from Sinochem Group, implemented COA cooperation with Sinochem Group and PetroChina and established cooperation and win-win mechanism. The Group opened up a new route for the Persian Gulf-Made Island VLCC quasi-liner shipping to optimize operational efficiency and quality, which played an important role in reducing losses or increasing profits during the market downturn.

(3) The Group adopted flexible management methods to resist the market downturn. With respect to the low freight rates for the first voyage of new ships, the Group sourced refined oil for the first voyage of new VLCCs to increase their initial profitability. In the fourth quarter, as the market started recovering, the Group made full use of self-operated tankers in the market. While operating at higher freight rates, we increased the proportion of long routes and locked in profits for a period of time.

(2) Domestic oil shipping business

In 2018, the Group overcame the adverse effects of the decline in the volume of domestic trade volume, and recorded a turnover in domestic trade oil shipping of 30.88 billion ton-nautical miles, increasing by 44.3% year on year; shipping income reached RMB4.19 billion, which increased by 45.8% year on year. The gross profit margin of the domestic trade oil shipping business decreased, which was mainly due to the increase in the proportion of domestic product oil business and the increase in fuel prices.

(1) The Group acquired the product oil fleet of PetroChina, and COSCO PetroChina SHIPPING was officially established and commenced operation, strengthening the business synergy and scale effect between the Group's headquarter and the joint ventures and associates. The turnover and gross profit of domestic trade oil product increased 420.1% and 274.9% year-on-year respectively, and the Group's leading position in the industry became more prominent.

(2) By strengthening coordination and close connection with ports, agents and cargo owners, the Group optimized domestic quasi-liner services and provided customer with value-added services, so as to secure existing customers and develop new customers. The COA in domestic trade segment of the Group maintained a high proportion of 92%.

(3) The Group gave full play to the unique advantage of the fleet structure of domestic and foreign trade linkage and strengthened the real-time linkage and optimal allocation of the tankers engaged in domestic and foreign markets. In 2018, the Group performed 15 oil shipments with close connection between domestically and internationally operation tankers, so that the overall operational efficiency and operating income of the fleet was increased.

(3) LNG shipping business

In 2018, the LNG shipping business of the Group continued to expand rapidly; a total of 10 LNG vessels with aggregate capacity of 1.73 million cubic meters were put into operation during the year. As of 31 December 2018, the Group had invested in a total of 26 LNG vessels with a capacity of 4.35 million cubic meters in operating; there are 12 LNG vessels of 2.08 million cubic meters under construction and will all be delivered by the end of 2020. In 2018, the LNG segment contributed a profit before tax of RMB410 million, an increase of 72.9% year on year.

(1) The leading edge of LNG Arctic Route has been further established. The Group participated in the investment of 18 out of the 19 new LNG vessels in Russia's Yamal project, 14 of which are Arc7-class icebreaking LNG carriers. In 2018, 7 of the above 14 LNG Arctic vessels have been put into operation successively, achieving major industrial breakthroughs in opening up Arctic LNG shipping routes. In July 2018, the ship named Vladimir Rusanov, in which the Group invested, transported Yamal LNG to China for the first time, and arrived in Jiangsu via the Arctic Route, marking a milestone in China's development of the Arctic Routes.

(2) The development of new LNG transportation projects achieved a new breakthrough. The Group paid close attention to the demand for LNG transportation by oil and gas companies such as PetroChina, tracked the progress of project, seize every opportunity for brand marketing, and concurred on a mutual interest with PetroChina in further cooperating in the LNG business.

(3) Recognizing the development opportunities of the LNG industry, the Group successfully held the "2018 Shanghai LNG Development Forum." Focusing on the theme "Green, Safety, Development and Win-Win Results," the LNG industry leaders and peers discussed and built consensus over the development paths for the industry.

Liquidity and Financial Resources

Liquidity and borrowings

For the year ended 31 December 2018, the Group's net cash generated from operating activities was RMB2,156,032,000, representing a decrease of approximately 37.48% as compared to approximately RMB3,448,724,000 for the year ended 31 December 2017.

As at 31 December 2018, the balance of cash and cash equivalents amounted to RMB3,467,924,000, representing a decrease of RMB1,543,332,000 and by 30% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, and the remainder are denominated in Euro, HKD and other currencies.

As at 31 December 2018 and 31 December 2017, details of the interest-bearing bank and other borrowings are as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Current liabilities		
(i) Bank borrowings		
Secured	**1,302,590**	1,216,509
Unsecured	**4,361,564**	4,289,599
	5,664,154	5,506,108
(ii) Other borrowings		
Unsecured	**1,372,410**	1,372,410
Interest-bearing bank and other borrowings – current portion	**7,036,564**	6,878,518

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current liabilities		
(i) Bank borrowings		
Secured	**15,865,245**	14,068,254
Unsecured	**2,745,280**	2,995,123
	18,610,525	17,063,377
(ii) Other borrowings		
Unsecured	**175,850**	208,850
Interest-bearing bank and other borrowings – non-current portion	**18,786,375**	17,272,227

As at 31 December 2018, secured bank borrowings of RMB17,167,835,000 (31 December 2017: RMB15,085,062,000) and unsecured bank borrowings of RMB7,106,844,000 (31 December 2017: RMB6,704,422,000) are denominated in USD.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans and bonds payable less cash and cash equivalents.

Net current liabilities

As at 31 December 2018, the Group's net current liabilities amounted to RMB3,936,924,000. Current assets mainly included inventories of RMB926,847,000, contract assets of RMB1,057,468, trade and bill receivables of RMB752,110,000, prepayments, deposits and other receivables of RMB722,721,000, and cash and cash equivalents of RMB3,467,924,000. Current liabilities mainly included trade and bills payables of RMB1,454,436,000, other payables and accruals of RMB731,296,000, current portion of interest-bearing bank and other borrowings of RMB7,036,564,000, and current portion of bonds payable of RMB1,498,439,000.

Gearing ratio

As at 31 December 2018, the Group's net gearing ratio (i.e. net debts over total equity was 94%, which was near to 86% as at 31 December 2017.

Foreign Exchange Risk

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

As at 31 December 2018, if USD and HKD had weakened or strengthened by 1% against RMB with all other variables held constant, post-tax profit for the year would have been RMB3,808,000 lower/higher (2017: RMB6,729,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables and payables and borrowings.

Capital Expenditures

In 2018, the cash outflow from investment activities of the Group, which has been paid for construction and purchase of new vessels and capital increases (in form on both investment and loans) into associates and joint ventures of the Group, was approximately RMB4.3 billion including capital expenditure of approximately RMB3.1 billion paid for the construction and purchase of new vessels.

Capital Commitments

As at 31 December 2018 and 31 December 2017, details of the Group's capital commitments are as follows:

	Note	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
Authorised and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,446,633**	9,563,431
Project investments	*(ii)*	**179,130**	487,255
		6,625,763	10,050,686

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2019 to 2021.

(ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects held by CLNG.

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 RMB0 (31 December 2017: RMB298,709,000). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB2,565,694,000 (31 December 2017: RMB1,430,809,000).

Pledge on Assets

As at 31 December 2018, the Group's interest-bearing bank and other borrowings were secured by pledges of the Group's 44 (31 December 2017: 39) vessels and 0 (31 December 2017: 4) vessel under construction with total net carrying amount of RMB25,528,346,000 (31 December 2017: RMB19,998,023,000) and RMB0 (31 December 2017: RMB3,216,511,000) respectively.

Contingent Liabilities and Guarantee

For details of the Lease Guarantees constituting the contingent liabilities of the Group for the year ended 31 December 2018, please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS - FOR THE SIX MONTHS ENDED 30 JUNE 2021 - Contingent Liabilities and Guarantee" of this Appendix.

Save as disclosed above, the Group did not have other contingent liabilities and guarantees for the year ended 31 December 2018.

Material Acquisitions or Disposals and Future Plans for Material Investments

In March 2018, the Group acquired 51% equity interests in COSCO PetroChina SHIPPING, a group of companies engaged in oil shipment activities, for a consideration of RMB396,551,000. With the acquisition, the Group also obtained control of Sino-Ocean Shipping (previously a 50% Joint venture of the Group), by virtue of COSCO PetroChina SHIPPING's control over Sino-Ocean Shipping.

In June 2018, CNOOC Import & Export Co., Ltd. ("**CNOOC**") entered into a concerted action letter with COSCO SHIPPING Tanker (Dalian) Co., Ltd. ("**Dalian Tanker**"). This letter supports Dalian Tanker to consolidate financial statements of Yangpu Shipping. According to the letter, CNOOC will act in concert with Dalian Tanker on significant issues, such as major business, financing and investment, profit distributions, etc.

For further details of the aforesaid acquisitions, please refer to the annual report of the Company for the year ended 31 December 2018. Save for the aforesaid acquisitions, there was no other material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group for the year ended 31 December 2018.

Save for investments held by the Group in a number of associates and joint ventures as disclosed in notes 19 and 20 to the consolidated financial statements of the Company for the year ended 31 December 2018, the Group did not have any significant investments and did not have any immediate plans for material investments and capital assets as at 31 December 2018.

Employees and Emoluments

As at the end of 2018, the Company had approximately 6,854 employees. Adjustment of employee remuneration are calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, management of employees remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results to the Company. Save for the remuneration disclosed above and the Scheme, the Company does not maintain any share option scheme for its employees and the employees are not entitled to enjoy any bonus. The Company regularly provides for its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Trainings are provided in different forms including seminars, site visits and interview.

In 2018, the total staff costs was approximately RMB2.153 billion (2017: approximately RMB1.874 billion).

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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") will be held at 10:00 a.m. on Tuesday, 28 December 2021 (or any adjournment thereof) at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 7 December 2021.

ORDINARY RESOLUTIONS

1. to approve, ratify and confirm the financial services framework agreement dated 12 November 2021 entered into between the Company and China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司) ("**COSCO SHIPPING**") in relation to the provision of financial services and the transactions and the proposed annual caps contemplated thereunder (the "**2021 Financial Services Framework Agreement**"); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2021 Financial Services Framework Agreement;

2. to approve, ratify and confirm the shipping materials and services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of shipping materials and services and the transactions and the proposed annual caps contemplated thereunder (the "**2021 Shipping Materials and Services Framework Agreement**"); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2021 Shipping Materials and Services Framework Agreement;

3. to approve, ratify and confirm the sea crew framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of sea crew services and the transactions and the proposed annual caps contemplated thereunder (the "**2021 Sea Crew Framework Agreement**"); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2021 Sea Crew Framework Agreement;

4. to approve, ratify and confirm the services framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of certain services and the transactions and the proposed annual caps contemplated thereunder (the "**2021 Services Framework Agreement**"); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2021 Services Framework Agreement;

5. to approve, ratify and confirm the property lease framework agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to supply and receipt of property and land use right leasing services and the transactions and the proposed annual caps contemplated thereunder (the "**2021 Lease Framework Agreement**"); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2021 Lease Framework Agreement; and

6. to approve, ratify and confirm the trademark license agreement dated 12 November 2021 entered into between the Company and COSCO SHIPPING in relation to the non-exclusive license granted by COSCO SHIPPING to the Company and its subsidiaries for using certain trademarks owned by COSCO SHIPPING and the transactions and the annual fees contemplated thereunder (the "**2021 Trademark License Agreement**"); and to authorize the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the 2021 Trademark License Agreement.

Yours faithfully,
By Order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Yao Qiaohong
Company Secretary

Shanghai, the People's Republic of China
7 December 2021

* *For identification purposes only*

Notes:

1. For the purpose of holding the EGM, the register of H Shares members of the Company (the "**Register of Members**") will be closed from Wednesday, 22 December 2021, to Tuesday, 28 December 2021 (both days inclusive), during which no transfer of H Shares of the Company will be registered. H Shareholders whose names appear on the Register of Members at the close of business on Tuesday, 28 December 2021 are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Hong Kong Registrars Limited, the H share registrar of the Company, not later than 4:30 p.m. on Tuesday, 21 December 2021.

2. The address of Hong Kong Registrars Limited, the share registrar (for share transfer) for the H shares of the Company is as follows:

   Shops 1712-1716
   17th Floor, Hopewell Centre
   183 Queen's Road East
   Wanchai
   Hong Kong

   The details of the Office of the Board of Directors of the Company are as follows:

   7th Floor, 670 Dongdaming Road
   Hongkou District
   Shanghai
   People's Republic of China
   Postal Code: 200080
   Tel: 86 (21) 6596 6666
   Fax: 86 (21) 6596 6160

3. Each H Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM.

4. The form of proxy must be in writing under the hand of the Shareholder or his/her attorney duly authorized in writing or, if the Shareholder is a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorized to sign the same. If the form of proxy is signed by an attorney authorized by the Shareholder, the power of attorney authorizing signature or other documents of authorization must be notarially certified.

5. To be valid, for H Shareholders, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof.

6. Each A Shareholder is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM. Notes 4 to 5 also apply to A Shareholders, except that the form of proxy or other documents of authority must be delivered to the Office of the Board of Directors of the Company, not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid.

   The details of the Office of the Board of Directors of the Company are as follows:

   7th Floor, 670 Dongdaming Road
   Hongkou District
   Shanghai
   People's Republic of China
   Postal Code: 200080
   Tel: 86 (21) 6596 6666
   Fax: 86 (21) 6596 6160

7. If a proxy attends the EGM on behalf of a shareholder, he/she should produce his/her identity card and the form of proxy signed by the Shareholder or his/her attorney, which specifies the date of its issuance. If a legal person Shareholder appoints its legal representative to attend the EGM, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person Shareholder appoints a company representative other than its legal representative to attend the EGM, such representative should produce his/her identity card and an authorization instrument affixed with the seal of that Shareholder (which is a legal person) and duly signed by its legal representative.

8. The EGM is estimated to last for an hour. Shareholders who attend the EGM in person or by proxy shall bear their own transportation and accommodation expenses.

As at the date of this notice, the Board comprises Mr. Ren Yongqiang and Mr. Zhu Maijin as executive directors, Mr. Zhang Qinghai and Mr. Liu Zhusheng as non-executive directors, Mr. Teo Siong Seng, Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen as independent non-executive directors.

* *For identification purposes only*