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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)

INSIDE INFORMATION **PROVISION FOR ASSET IMPAIRMENT**

This announcement is made by COSCO SHIPPING Energy Transportation Co., Ltd.* (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that the Board has passed a resolution in relation to the provision for asset impairment for certain aged vessels of the Group to be accounted for in the financial statements of the Group for the year ended 31 December 2020 (the “**Reporting Period**”).

A summary of the provision for asset impairment is set out below:

I. BASIC INFORMATION OF THE PROVISION FOR ASSET IMPAIRMENT

According to the relevant requirements of the “Accounting Standard for Business Enterprises No. 4 – Fixed Assets” and the “Accounting Standard for Business Enterprises No. 8 – Asset Impairment”, where there is any indication that an asset is impaired, its recoverable amount should be estimated. Where the recoverable amount as estimated is lower than its carrying amount, the carrying amount of such asset should be written down to its recoverable amount. The reduced amount is recognized as an asset impairment loss and accounted for as loss for the current period, with corresponding provision for such asset impairment.

Affected by the epidemic, demand for oil consumption is slowly recovering, the fundamentals of oversupply in the oil transportation market have not yet been fundamentally improved. Freight rates have been under pressure since the fourth quarter of 2020 and are expected to

remain low. During the “14th Five-Year Plan” period (being 2021 to 2025), the Group plans to increase transportation capacity, eliminate old vessels, optimize capacity structure while reducing carbon emission intensity, so as to make contribution to the mitigation of climate change. The Company held its 2021 first Board meeting on 25 January 2021, at which the “Proposal on Further Optimizing the Fleet During the 14th Five-Year Plan Period” was reviewed and approved, and it was agreed that the Group will seek opportunities during the “14th Five-Year Plan” period to eliminate 10 aged foreign trade vessels, so as to optimize its fleet structure. With regard to the 10 aged foreign trade vessels, they face problems such as high energy consumption, many hidden dangers in safety management, and high greenhouse gas and sulfur oxide emissions, whose profitability was further constrained during downturn in the oil transportation market. The Board believes that there are obvious indications of impairment of the aforesaid 10 aged foreign trade vessels.

As of 31 December 2020, further information on the 10 aged foreign trade vessels is as follows:

Name of vessel	Type	Owner	Date of manufacturing	Vessel age as at 31 December 2020
Cosgreat Lake (遠大湖)	VLCC	Pan Cosmos Shipping & Enterprises Co., Ltd. (寰宇船務企業有限公司)	1 December 2002	18
Cosglory Lake (遠榮湖)	VLCC	Pan Cosmos Shipping & Enterprises Co., Ltd. (寰宇船務企業有限公司)	1 January 2003	17
Cosbright Lake (遠明湖)	VLCC	Pan Cosmos Shipping & Enterprises Co., Ltd. (寰宇船務企業有限公司)	1 April 2003	17
Xin Jin Yang (新金洋)	VLCC	The Company	28 November 2004	16
Xin Ning Yang (新寧洋)	VLCC	The Company	11 April 2005	15
Lian Shun Hu (連順湖)	Panamax	Hainan COSCO SHIPPING Energy Transportation Co., Ltd. (海南中遠海運能源運輸有限公司)	1 June 2005	15
Fei Chi (飛池)	Handysize	China Shipping Development (Hong Kong) Marine Co., Ltd. (中海發展(香港)航運有限公司)	11 December 2005	15

Name of vessel	Type	Owner	Date of manufacturing	Vessel age as at 31 December 2020
Da Ming Hu (大明湖)	Suezmax	Hainan COSCO SHIPPING Energy Transportation Co., Ltd. (海南中遠海運能源運輸有限公司)	28 November 2003	17
Da Yuan Hu (大源湖)	Suezmax	Hainan COSCO SHIPPING Energy Transportation Co., Ltd. (海南中遠海運能源運輸有限公司)	10 June 2004	16
Da Li Hu (大理湖)	Suezmax	Hainan COSCO SHIPPING Energy Transportation Co., Ltd. (海南中遠海運能源運輸有限公司)	20 December 2004	16

Pursuant to the requirements of Accounting Standards for Business Enterprises, the Company engaged China Tong Cheng Assets Appraisal Co., Ltd. to conduct impairment test on the aforesaid vessels as at 31 December 2020 and an appraisal report has been issued. As at 31 December 2020, the valuation benchmark date, the book value before appraisal of the aforesaid vessels is RMB2,168,691,500, and the recoverable value after appraisal is RMB1,327,750,200.

In order to truly reflect the financial conditions and operation results of the Group as at 31 December 2020, based on the principle of prudence and pursuant to the relevant provisions of Accounting Standards for Business Enterprises, the Board resolved to make the provision for asset impairment of the Group as at the end of 2020.

II. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT ON THE FINANCIAL CONDITION OF THE GROUP

The provision for asset impairment will correspondingly reduce the net profit attributable to the shareholders of the parent company of the Group during the Reporting Period by RMB840,941,300, and correspondingly reduce the net asset value of the Group as at the end of the Reporting Period, but will have no impact on the Group's operating cash flow during the Reporting Period. After making the provision for asset impairment, the depreciation expenses of these vessels in the future will be correspondingly reduced and operating costs will decrease.

III. OPINION OF THE BOARD ON THE PROVISION FOR ASSET IMPAIRMENT

The Board is of the view that, pursuant to the relevant requirements of Accounting Standards for Business Enterprises and relevant accounting policies implemented by the Company, the provision for asset impairment could more accurately reflect the actual market value of the Group's vessel assets, is in compliance with the principle of accounting prudence, with sufficient basis and in the long-term interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously resolved to pass the relevant resolution.

IV. OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON THE PROVISION FOR ASSET IMPAIRMENT

The independent non-executive Directors are of the view that the provision for asset impairment for the 10 aged foreign trade vessels made by the Company according to the estimates from the valuation agency is in compliance with the conservatism principle required by financial accounting, helps prevent financial risks of the Company, ensures the standardized operation of the Company, and fairly reflects the financial conditions and operating results of the Group; the consideration and voting procedures of the Board comply with the Company Law of the People's Republic of China ("PRC"), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other laws and regulations, the articles of association of the Company as well as relevant provisions of the Company's internal system, without undermining the interests of the Company and its shareholders. The independent non-executive Directors agreed to the provision for asset impairment.

V. OPINION OF THE AUDIT COMMITTEE ON THE PROVISION FOR ASSET IMPAIRMENT

The audit committee of the Company is of the view that the provision for asset impairment made by the Company is based on the principle of prudence, and is in compliance with the relevant requirements of Accounting Standards for Business Enterprises and accounting policy and accounting estimates. The provision for asset impairment is supported with sufficient basis, and truly and reasonably reflects the overall operating conditions of the Company, without undermining the interests of the Company nor its shareholders, in particular, the interests of the minority shareholders. The audit committee of the Company agreed to the provision for asset impairment.

VI. OPINION OF THE SUPERVISORY COMMITTEE ON THE PROVISION FOR ASSET IMPAIRMENT

The supervisory committee of the Company (the "**Supervisory Committee**") is of the view that the provision for asset impairment is in compliance with the relevant requirements of Accounting Standards for Business Enterprises and accounting policy and accounting estimates of the Company; is consistent with the actual situation of the Company, and could fairly reflect

the conditions of assets and profit-making situation of the Group afterwards; the Board has considered the relevant resolution, and the consideration procedures were legal and effective. The Supervisory Committee agreed to the provision for asset impairment.

The expected financial impact of the provision for asset impairment contained in this announcement is only a preliminary assessment based on information currently available, which has not been reviewed or audited by the auditors of the Company. **Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.*
Yao Qiaohong
Company Secretary

Shanghai, the PRC
25 January 2021

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

* *For identification purposes only*