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 "**SFO**").

The board (the "**Board**") of directors (the "**Directors**") of the Company hereby announces that on 21 January 2022, the Board has passed a resolution in relation to the provision for asset impairment for 94 vessels of 141 existing vessels of the Group to be accounted for in the financial statements of the Group for the year ended 31 December 2021 (the "**Reporting Period**").

I. BASIC INFORMATION OF THE PROVISION FOR ASSET IMPAIRMENT

(I) Applicable Accounting Standards

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.

* *for identification purposes only*

(II) Basis of Calculation of Asset Impairment

1. Downward rent prediction of the tanker shipping market by the international authoritative institution

Since 2021, the oil tanker market continued to be sluggish and the recovery was weak. In 2021, the average daily Time Charter Equivalent ("**TCE**") of the Middle East – China route market for very large crude carriers ("**VLCC**") was -518USD/day, representing a sharp decrease of approximately 48,697 USD/day or 101%. The daily TCE was in the negative range for approximately 56% of the whole year of 2021.

With the repeating outbreaks of the pandemic with more variants worldwide, the International Economic and Trade Organization has further lowered the expectation of the global economic recovery in the current and future years. The global energy transformation and increasing supervision and regulation regarding carbon emission from countries and industrial organizations will also affect the demand for basic energy and chemical raw materials such as petroleum in the future.

Based on the actual market situation and the forecast for the next few years, Drewry[1], an authoritative institution in shipping, significantly lowered the forecast of daily TCE level of spot market in the international tanker shipping market in the future. Drewry's prediction of the daily TCE level of spot market of oil tanker transportation is one of the important inputs of the Group's vessel asset impairment test model at the end of each year. The Group continued to take it as one of the impairment test input on a consistent basis in 2021, which is one of the most critical factors affecting the significant impairment results of the Group's vessel assets in 2021.

1 Founded in 1970, Drewry is an independent professional international shipping research and consulting institution. In the Drewry's report, all core segments of shipping are covered. It analyzes and comments on the shipping market information so as to provide users shipping information. For the liquid bulk cargo business segment, Drewry regularly publishes quarterly forecast reports of oil tankers and LNG, monthly shipping market reports and other relevant publications, including detailed analysis of oil and gas trade and shipping market. The research results of the institution have high influence and reference value in the industry.

2. ***Impact of the "carbon emission reduction" policy of the International Maritime Organization (the "IMO")***

In June 2021, the IMO issued the "Carbon Emission Reduction Convention" for the shipping industry, which made restrictive requirements on the carbon emissions of global shipping enterprises, and defined the specific standards to be met in the Energy Efficiency Existing Ship Index[2] (EEXI) and carbon intensity index[3] (CII) by 2023.

At the 77th meeting of Maritime Environmental Protection Committee of the IMO held in November 2021, 11 key issues including ship energy efficiency and ship GHG (greenhouse gas) emission reduction were discussed, the calculation methods of relevant indexes were further standardized, the implementation path and control measures were formulated, and the coordination mechanism among countries was clarified.

In order to improve the seaworthiness and operation efficiency and enhance the profitability of vessels under the constraints of environmental protection and emission reduction, on the one hand, the Group will increase the application of energy-saving technology and improve the level of EEXI and CII; on the other hand, on the basis of comprehensive technical and economic evaluation, the Group will conduct technical transformation for existing vessels. It is estimated that among the 141 existing vessels of the Group, 106 of them will be subject to further transformation so as to meet the EEXI requirements, of which 62 vessels will be included in the CII improvement measures plan. Additionally, the oil tankers built by the Group before 2014 are subject to class I transformation of regular dock repairment and maintenance to meet the operation requirements, including but not limited to the replacement of shipboard, marine ballast cabin maintenance, etc. Compared with other types of vessels, the transformation cost of VLCC tanker is higher.

When conducting the vessel impairment test in 2021, the Group has considered the impact of the new policies of "carbon emission reduction" of the IMO in 2021 on the investment in vessel technical transformation and operation efficiency.

2 The EEXI is the energy efficiency level assessed and calculated based on the inherent technology parameters of vessels.

3 The CII is the rating index of carbon emission intensity of actual operation of vessels, which is divided into five classes, namely A, B, C, D and E. Vessels which were rated as D or E class should be continuously upgraded in terms of carbon emission reduction.

3. Potential impact of implementation of the Company's green development strategies on the valuation of existing vessel assets

On 24 October 2021, the State Council of the People's Republic of China issued the *Action Plan for Peak Carbon Emissions by 2030*, which clearly put forward the overall requirement of "accelerating the formation of green and low-carbon transportation mode and ensuring that the growth of carbon emission in the field of transportation remains within a reasonable range". In particular, the Action Plan puts forward specific requirements for shipping enterprises to "accelerate the renewal and transformation of old vessels, develop electric and LNG-powered vessels, and promote the low-carbon transformation of transportation tools and equipment".

According to the structural adjustment and optimization plan of the Group's tanker fleet, the Company will speed up the pace of upgrade of the existing tanker fleet, which will have impact on the valuation of existing tanker assets.

In view of the combined effects of the above three factors on the revenue side and the cost side, the Group's assets were significantly impaired as recognized under the impairment test on vessel assets in 2021.

It should be further stated that the Group is keeping an eye on the trend of domestic and overseas tanker shipping market and changes in the business environment, and improving the utilization rate of vessel assets to realize the optimal asset return through domestic and foreign trade coordination and optimization of route design. However, after severe fluctuations in the first half of the year, the international tanker freight rate in 2020 showed a downward trend in May in general and remained in a downturn in the second half of the year. There was an obvious indication of impairment of the aged foreign trade vessels of the Group as at the end of 2020. After the evaluation model test, it was recognized that 10 aged foreign trade vessel assets were impaired by approximately RMB840 million during the year.

In 2021, the overall freight rate was at a historical low and the recovery was weak. The average daily TCE level of the market entered the negative range for most of times, which significantly lowered the income expectation of the future tanker market. In addition, the IMO and other international institutions have officially issued the "carbon emission reduction requirement" in the form of a convention, and its schedule, quantitative standards and measures and guideline have been widely recognized. After comprehensive evaluation and consideration, the Group faced significant impairment pressure on vessels excluding aged foreign trade ones as at the end of 2021. It was recognized through the consistent test model that among the assets combination, 87 vessels excluding aged foreign trade ones had obvious indication of impairment, with a total impairment amount of approximately RMB4.94 billion, representing approximately 99.5% of the total impairment of vessel assets for the year.

(III) Impairment Test Results

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 141 existing vessels of the Group as at 31 December 2021 and an appraisal report has been issued.

The above 141 vessels are held by the Company and its wholly-owned subsidiaries, namely Hainan COSCO SHIPPING Energy Transportation Co., Ltd. (海南中遠海運能源運輸有限公司), China Shipping Development (Hong Kong) Marine Co., Ltd. (中海發展（香港）航運有限公司), Pan Cosmos Shipping & Enterprises Co., Ltd. (寰宇船務企業有限公司) and COSCO SHIPPING TANKER (SINGAPORE) PTE LTD.（中遠海運油品運輸（新加坡）有限公司）. They are divided into the asset group of aged foreign trade vessels (13 vessels), asset group of vessels excluding aged foreign trade ones (127 vessels) and floating storage (1 vessel) based on the acquisition time and business characteristics.

As at 31 December 2021, the valuation benchmark date, the book value before appraisal of the aforesaid 141 vessels is approximately RMB38,165,050,900, and the recoverable value after appraisal is approximately RMB33,203,601,100.The detailed data by group are as follows:

Table of Appraisal Results of Recoverable Amount of Vessel Asset Group

Unit: RMB0'000

Name of vessel	Book value	Fair value less disposal expense, net	Present value of future cash flows	Recoverable amount
Asset group of aged foreign trade vessels	189,214.55	187,842.49	161,080.21	187,842.49
Asset group of vessels excluding aged foreign trade ones	3,613,297.77	2,617,394.20	3,119,511.70	3,119,511.70
Floating storage	13,992.78	N/A	13,005.92	13,005.92

In order to truly reflect the financial conditions and operation results of the Group as at 31 December 2021, pursuant to the relevant provisions of Accounting Standards for Business Enterprises, the Board resolved to make the provision for asset impairment of the Company as at the end of 2021.

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

The provision for above asset impairment will correspondingly reduce the net profit attributable to the shareholders of the parent company of the Group during the Reporting Period by approximately RMB4.96 billion, and correspondingly reduce the net asset and equity value of the Group as at the end of the Reporting Period (the final data is subject to the data of annual report audited by the auditors for the year). After making the provision for impairment, the depreciation expenses of these vessels in the future will correspondingly decrease.

III. RATIONAL STATEMENT OF THE BOARD ON THE PROVISION FOR ASSET IMPAIRMENT OF THE COMPANY

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, 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 Resolution regarding Provision of Impairment of Vessel Assets.

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 vessel assets made by the Company according to the estimates from the valuation agency is in compliance with the financial accounting requirements, helps prevent financial risks, ensures the standardized operation of the Company, and fairly reflects the financial conditions and operating results of the Company; the consideration and voting procedures of the Board comply with the Company Law of the People's Republic of China, 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 Board (the "**Audit Committee**") is of the view that the provision for asset impairment made by the Company is in compliance with the relevant requirements of Accounting Standards for Business Enterprises and accounting policy. The provision for asset impairment is supported with sufficient basis, and truly and reasonably reflects the overall operating conditions and asset condition of the Company, without undermining the interests of the Company nor its shareholders, in particular, the interests of the minority shareholders. The Audit Committee agreed on the above provision for asset impairment.

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

The supervisory committee of the Board (the "**Supervisory Committee**") is of the view that the provision for asset impairment is in compliance with the relevant requirements of the Accounting Standards for Business Enterprises and accounting policy of the Company, is consistent with the actual situation of the Company, and could fairly reflect the conditions of assets and profitability of the Company after the provision; the Board has considered the Resolution on Provision of Impairment of Vessel Assets, and the consideration procedures were legal and valid. The Supervisory Committee agreed on 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.*
Ren Yongqiang
Chairman

Shanghai, the PRC
21 January 2022

As at the date of this announcement, 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.