# 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
## REPLY TO THE SHANGHAI STOCK EXCHANGE IN RESPECT OF THE ENQUIRY LETTER IN RELATION TO THE 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 "**Stock Exchange**") and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

References are made to the announcements of the Company dated 21 January 2022 (the "**Announcements**") published on the websites of the Shanghai Stock Exchange and the Stock Exchange, 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**") (the "**Provision for Asset Impairment**").

On 21 January 2022, the Company received from the Shanghai Stock Exchange a letter of enquiry in relation to the Provision for Asset Impairment (Shang Zheng Gong Han [2022] No. 0044) (the "**Enquiry Letter**"). The Company has responded to each of the issues raised in the Enquiry Letter, of which the contents involving the information disclosed in the Announcements are mainly as follows:

**I. As disclosed, the Company has made provision of approximately RMB4.96 billion in aggregate for asset impairment for 94 vessels of 141 existing vessels. Among them, the provision for the asset group of aged foreign trade vessels was RMB13.7206 million, the provision for the asset group of vessels excluding aged foreign trade ones was RMB4.938 billion, and the provision for the asset group of floating storage was RMB9.8686 million.**

* *For identification purposes only*

**The Company is requested to (1) further distinguish the asset group of vessels excluding aged foreign trade ones based on the age, cargo type, route and others of the vessel, and separately disclose the number of impaired vessels, book value, net fair value after deducting disposal costs, present value of future cash flows and recoverable amount; (2) make supplementary disclosure on the specific process, selection and basis of key parameters for the estimation of asset impairment, compare them with the external information available on key parameters, and demonstrate whether there is a major deviation in the assessment and the reasons and rationality for the large amount of impairment provided in the Reporting Period, and whether the provision amount is accurate and appropriate.**

**Reply of the Company:**

**(I) Further distinguish the asset group of vessels excluding aged foreign trade ones based on the age, cargo type, route and others of the vessel, and separately disclose the number of impaired vessels, book value, net fair value after deducting disposal costs, present value of future cash flows and recoverable amount**

According to the principle of consistency, when the Company conducts the asset impairment test for the vessels, the vessel assets are divided into three asset groups, namely, the asset group of aged foreign trade vessels, the asset group of vessels excluding aged foreign trade ones and the asset group of floating storage as follows:

**Asset group of aged foreign trade vessels:** refers to the oil tanker assets engaged in pure foreign trade business and are 15 years and above;

**Asset group of vessels excluding aged foreign trade ones:** refers to all oil tankers engaged in domestic trade business and oil tankers assets that are engaged in pure foreign trade business and are below 15 years old;

**Asset group of floating storage:** refers to the oil tanker assets that are being transformed into floating storage, and this asset group is the newly added asset group in 2021.

According to the needs of daily operation and management, the Company makes statistics and analysis on the asset group of vessels excluding aged foreign trade ones based on typical routes and types of cargo. During the impairment test of vessels, the Company adopted the same subdivision standard for this asset group. The specific impairment test is as follows:

(Table 1) *Unit: RMB'0,000*

| Typical route | Type of cargo | Number of vessels | Number of impaired vessels | Book value | Net fair value after deducting disposal costs | Present value of future cash flows | Recoverable amount |
|---|---|---|---|---|---|---|---|
| Domestic trade | Crude oil | 39 | 15 | 686,940 | 367,868 | 884,716 | 884,716 |
| Domestic trade | Refined oil | 18 | 7 | 361,645 | 261,281 | 399,311 | 399,311 |
| VLCC Middle East – China | Crude oil | 45 | 44 | 1,944,889 | 1,554,048 | 1,513,578 | 1,554,048 |
| Suezmax Black Sea-Mediterranean | Crude oil | 3 | 3 | 105,621 | 103,132 | 86,886 | 103,132 |
| Aframax Kuwait – Singapore | Crude oil | 2 | 1 | 48,811 | 35,170 | 43,249 | 43,249 |
| LR2 Middle East – Japan | Refined oil | 8 | 6 | 215,104 | 158,812 | 179,390 | 179,390 |
| LR1 Middle East – Japan | Refined oil | 4 | 4 | 106,942 | 42,472 | 76,408 | 76,408 |
| MR West India – Japan | Refined oil | 8 | 7 | 143,346 | 94,611 | (64,026) | 94,611 |
| **Total** | | **127** | **87** | **3,613,298** | **2,617,394** | **3,119,512** | **3,119,512*** |

*Note:* *The total recoverable amount in the above table (RMB31,195,120,000) is the overall recoverable amount of "the asset group of vessels excluding aged foreign trade ones" as recognized based on the higher of the principle of market method and income method, rather than the sum of the individual line items above.

According to the analysis of the age structure of the vessels excluding aged foreign trade ones, the impairment distribution is as follows:

(Table 2) *Unit: RMB'0,000*

| Age | Number of vessels | Book value | Net fair value after deducting disposal costs | Present value of future cash flows | Recoverable amount |
|---|---|---|---|---|---|
| Below 10 years | 67 | 2,222,926 | 1,852,861 | 1,892,150 | 1,892,150 |
| 10 to 14.99 years | 41 | 1,069,360 | 635,568 | 834,280 | 834,280 |
| 15 years and above | 19 | 321,012 | 128,965 | 393,082 | 393,082 |
| **Total** | **127** | **3,613,298** | **2,617,394** | **3,119,512** | **3,119,512** |

**(II) Make supplementary disclosure on the specific process, selection and basis of key parameters for the estimation of asset impairment, compare them with the external information available on key parameters, and demonstrate whether there is a major deviation in the assessment and the reasons and rationality for the large amount of impairment provided in the Reporting Period, and whether the provision amount is accurate and appropriate.**

***1. Process of Impairment Test and Assessment***

On 20 December 2021, the Company engaged China Tong Cheng Assets Appraisal Co., Ltd. who is qualified for asset valuation, to conduct asset valuation for the purpose of vessel assets impairment test on the 141 existing vessels of the Group with 31 December 2021 as the benchmark date and issue the Asset Valuation Report (Zhong Tong Ping Bao Zi [2022] No. 12009).

According to the Article 6 of the Accounting Standard for Business Enterprises No. 8 – Impairment of Assets, "if there is any indication of impairment of an asset, its recoverable amount shall be estimated. The recoverable amount shall be determined based on the higher of the net fair value of the asset after deducting disposal costs and the present value of the expected future cash flow of the asset". Therefore, the Company determines the recoverable amount of the asset group based on the higher of the net fair value of the asset group after deducting the disposal costs (i.e. market method) and the present value of the expected future cash flow of the asset (i.e. income method). The amount that the recoverable amount of the asset group lower than the book value is the amount of asset impairment.

***2. Selection and Basis of Main Parameters***

Under **the market method**, the fair value of a vessel is determined using the market approach and based on recent transactions of the same or similar assets in the market. In particular, for the evaluation of the vessel assets, the market method is used to determine the value of the assessed vessels, which is, through investigating the second-hand vessel market, adopting actual transaction cases in the market published by Clarksons, selecting several recently traded second-hand vessels of the same type, similar key technical parameters and similar service time as the assessed vessels as reference objects, analyzing and comparing the assessed vessels with each reference object, and determining the adjustment factors such as deadweight tonnage, service time, transaction time, transaction conditions, usage and construction country, the price range of the value of the corresponding assessed vessel was estimated with the arithmetic average being made.

Under **the income method**, the discounted cash flow method is used to calculate the present value of future cash flows in accordance with the provisions of the Accounting Standards for Business Enterprises. The present value of cash flow of the assessed vessel assets was discounted at a reasonable discount rate using the mode of Time Charter Equivalent income, with reference to the expected net cash flow in respective future years based on the historical operating costs and expenses of the vessels. The test is based on the judgments and assumptions of the Company about the future daily Time Charter Equivalent (TCE), the recovery of vessel residual value, working capital and discount rate. In particular:

(1) The selection bases of the TCE of typical routes of all types of vessels in the future are:

    **For domestic trade vessels,** the Company applied the actual average domestic trade TCE of the Company for 2016-2021 as the estimation data **due to lack of estimation data from authoritative institutions.**

    **For foreign trade vessels,** it is estimated based on the estimation data of TCE of typical routes of oil tankers for 2021 and next five years in the latest report (2021Q3) published by Drewry upon testing.

(2) The costs paid in cash is calculated based on the historical average data of each subdivided cargo type from 2017 to 2021, in particular: the crew cost is considered to increase by 5% year by year. It mainly considers that according to the average real wage index of urban on-post staff published by the National Bureau of Statistics, the average month-on-month growth rate in the past decade is 7.8%; and the goal of China's future economic is high-quality development, rather than high-speed development, thus the month-on-month growth rate of crew cost is considered to be 5%. Other costs paid in cash (maintenance costs, insurance costs, etc.) are calculated based on the historical average data of each vessel type from 2017 to 2021.

(3) For the capital expenditure, according to the requirements of the classification society for the management of vessel certificate, the vessel needs to carry out necessary repairs and inspections at the regulated age. The Company calculates the future capital expenditure of each vessel based on the historical average of the costs incurred by different inspections for each subdivided vessel type (e.g. 15-year-old CAP transformation).

(4) For the recovery of residual value, the residual value is calculated based on the latest residual value of vessels (US$280/Light Deadweight Tonnage) published by the Company and light deadweight tonnage of vessels.

(5) The discount rate before tax is 9.78%, in which: the risk-free return rate is 2.78% (10-year treasury bond rate on the valuation benchmark date), the industry risk premium is 4.5%, and the operating risk premium is 2.5%.

### 3. *External Data of Key Inputs Available*

When testing as at the end of 2021, the latest estimation data of TCE of typical routes of oil tankers as published by Drewry is applied, the TCE level for 2022-2026 is as follows:

(Table 3) *Unit: US$/day*

| | |
|---|---|
| VLCC Middle East – China: | 16,850/24,400/25,100/26,500/27,100 |
| Suezmax crude oil tanker Black Sea – Mediterranean: | 11,075/17,400/19,400/20,300/20,800 |
| Aframax crude oil tanker Kuwait – Singapore: | 9,175/14,500/15,900/16,500/17,000 |
| LR2 product oil tanker Middle East – Japan: | 18,500/19,500/20,300/20,600/20,700 |
| LR1 product oil tanker Middle East – Japan: | 16,200/17,000/17,600/17,800/18,100 |
| MR product oil tanker West India – Japan: | 6,800/7,000/7,100/7,100/7,200 |

*Note:* The TCE level of 2026 will be applied for years after 2026

### 4. *Rational Statement on the Provision for Vessel Assets Impairment*

Drewry continuously lowered the expected TCE level of VLCC Middle East – China (TD3C), the main route, for the year of 2021 and 2022 from the 2021Q3 report to 2022Q3 report as shown in the following table:

(Table 4) *Unit: US$/day*

| | **Drewry's expectation value on VLCC Middle East – China (TD3C)** | | | | |
|---|---|---|---|---|---|
| **Forecasted period** | **2020Q3** | **2020Q4** | **2021Q1** | **2021Q2** | **2021Q3** |
| 2021 | 18,750 | 13,150 | 11,700 | 2,300 | 1,242 |
| 2022 | 23,300 | 22,400 | 20,300 | 18,600 | 16,850 |
| 2023 | 24,800 | 23,400 | 23,000 | 24,200 | 24,400 |
| 2024 | 25,600 | 24,800 | 24,200 | 26,700 | 25,100 |
| 2025 | 25,100 | 25,800 | 25,400 | 27,400 | 26,500 |
| 2026 | NA | NA | 26,500 | 28,600 | 27,100 |

Data source: Drewry, collated by COSCO SHIPPING Energy.

*Note:* The vessel assets impairment test at the end of 2020 was based on the TCE level of typical routes of oil tankers disclosed by Drewry in the third quarter of 2020.

In the table above, the authority expected that the average TCE level in 2021 was US$18,750/day in the third quarter of 2020, and the full-year TCE estimate in the 2021Q3 report decreased to US$1,242/day; there are also different degrees of downward revision in the forecast of TCE levels from 2022 to 2024. The authority expects that the VLCC market will recover from 2025.

When valuated and calculated according to the income method, the decrease in discounted evaluation income brought by the sharp reduction of TCE level in the first few years of the evaluation period is much higher than the increase in discounted evaluation income brought by the adjustment and increase of TCE level in the later years of the evaluation period. At the same time, according to the discount calculation rules, the discount factors are lower before and higher after, which further widens the gap between the assessed value of vessel assets in 2021 and the assessed value of vessel assets in 2020, thereby greatly increasing the scale of impairment of vessel asset valuation in 2021.

In view of the above analysis, upon verification, the Company is of the opinion that the external data adopted in the impairment test for the Reporting Period is compliance with the principle of consistency, is objective and reasonable, and there is no significant deviation, based on which the amount of impairment provision calculated according to the model is accurate and appropriate.

**II. As disclosed, the main reason for the provision of asset impairment loss is due to the downward rent prediction of the tanker shipping market by the international authoritative institution, the impact of the "carbon emission reduction" policy and the implementation of the green development strategies. Company please supplemented and disclosed: (1) the point of time when the Company identified that there was indication of impairment of relevant assets, and the point of time when the Company completed the impairment test of relevant assets and recognized the specific provision amount; (2) in combination with the trend of vessel rent level and the Company's operating performance in the recent decade, to state the specific situation of early asset impairment test and impairment provision; (3) the specific impact of implementation of the green development strategies on the impairment; (4) comparing to the impairment provision of comparable companies in the same industry, to state whether the preliminary asset impairment of the Company is insufficient and not timely, and whether it complies with relevant provisions of accounting standards.**

**Reply of the Company:**

**(I) The point of time when the Company identified that there was indication of impairment of relevant assets, and the point of time when the Company completed the impairment test of relevant assets and recognized the specific provision amount**

In accordance with the requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Accounting Standards for Business Enterprises, the Company maintains continuous attention to the value of important assets, follows up the changes of driving factors affecting the value of vessel assets in a timely manner, and reminds investors of relevant risks in a timely manner once potential value risks are identified and prudently evaluated and recognized.

In the first half of 2021, affected by adverse factors including the destocking cycle, the continuing OPEC+ production reduction agreement, the rising crude oil prices, and the strengthening travel restrictions by governments due to the repeating outbreaks of variants of the COVID-19, the international oil shipping market shows a continuing downturn trend, and the daily TCE level of several typical routes ranged within the negative income band. The Company pays close attention to the expectations of international authoritative institutions (particularly Drewry), industrial analysts and peer entities on the oil tanker shipping market.

Although in the Drewry Reports of 2020Q4, 2021Q1 and 2021Q2, the expected TCE levels were lowered for the next five years, for example, the expected TCE for VLCC Middle East-China (TD3C) in 2021 was lowered from the original US$18,750/day to US$2,300/day in the Q2 report, and the expected TCE in 2022 was lowered from the original US$23,300/day to US$18,600/day in the Q2 report, the management of the Company, based on the regularity of the tanker market over the years and in combination with the general expectations of peer enterprises, research institutions and shipping brokers that the tanker shipping market would stabilize at the bottom and recover upward in the second half of 2021, **believes that in the middle and late 2021, the vessel assets of the Company should not have significant indication of impairment with the forthcoming of the traditional boom season-Q4.**

However, in November 2021, due to the occurrence of the Omicron, the highly infectious variant of the pandemic, countries have restarted the travel limitation, and all institutions lowered the TCE expectation of all types of tankers for the whole year of 2021 and 2022.

In addition, the International Maritime Organization (IMO) held the 76th session of Marine Environment Protection Committee (MEPC) in June 2021 and announced that the EEXI energy efficiency index will come into force on 1 January 2023. At the meeting of the 77th session of IMO MEPC 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. Meanwhile, on 24 October 2021, the State Council 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".

Due to the emergence of new disturbance factors in the tanker shipping market and the introduction of environmental protection policies of shipping enterprises and the setup of requirements of specific plans, in mid-November 2021, the Company commenced the measurement of vessel assets at the end of 2021, including establishing a special team and engaging a qualified appraisal agency.

On 20 December, the Company engaged China Tong Cheng Assets Appraisal Co., Ltd. to conduct valuation on the 141 vessel assets of tanker fleet of the Group (involving the headquarter and four domestic and foreign companies). On 7 January, the appraisal agency issued an asset valuation report and recognized the impairment amount of the vessel assets.

Pursuant to the articles of association and corporate governance standards of the Company, the proposal regarding the impairment of vessel assets of the Company in 2021 was submitted to the members of the audit committee for review after fulfilling internal decision-making process on 10 January; the audit committee of the Company considered and approved the proposal regarding the impairment of vessel assets on 14 January and agreed to submit it to the board of directors (board of supervisors) for final approval. The board of directors (board of supervisors) made an official announcement on the proposal on 21 January after consideration and approval.

**(II) In combination with the trend of vessel rent level and the Company's operating performance in the recent decade, to state the specific situation of early asset impairment test and impairment provision**

In 2016, the Group restructured the oil and gas segment of COSCO Group and China Shipping Group, so as to form the existing operation and management mode and vessel asset structure. In terms of operation, the Company consolidated the operation and management and the vessel management of the oil tanker segment, which is under the unified responsibility of the Company's headquarters. The Company has established the business strategies of "domestic and foreign trade operation", "allied operation of large and small ships" and "providing customers with whole-process oil shipping logistics solutions" of oil tanker fleets, and is committed to realizing the strategic vision of "being an excellent leader in energy transportation".

The following table shows the net profit attributable to the parent company for the year and annual average TCE of VLCC TD3C (Middle East-China) route in the tanker shipping market from the reorganization of the Company to 2021:

(Table 5)

| Item | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (estimated) |
|---|---|---|---|---|---|---|
| Annual average TCE of VLCC TD3C (USD/day) | – | 16,584 | 18,802 | 39,413 | 48,179 | -518 |
| Net profit attributable to the parent company for the year (RMB'00 million) | 19.23 | 17.66 | 1.05 | 4.32 | 23.73 | -49.2 to -51.2 |

Data source: Baltic Exchange, collated by COSCO SHIPPING Energy.

*Note:* Since 8 February 2017, the Baltic Exchange has started to make statistics on the freight rates of VLCC vessels on the TD3C route.

According to the definition of asset group in the accounting standards and based on the operating characteristics and business strategies of the Company, the Company will take all types of tankers of the headquarter under unified management and its wholly-owned domestic and overseas subsidiaries engaged in oil product transportation as an overall asset group, and conduct asset impairment test at the end of each year. Due to the relatively stable gross profit margin of the Company's domestic trade business, which hedged against the volatility of foreign trade business income, no indication of impairment was found after the impairment test from 2016 to 2019.

In particular, according to the table above, the Company achieved net profit attributed to equity shareholders of the Company of RMB105 million in 2018, and the average TCE level of VLCC TD3C for 2018 was US$18,802/day. During the impairment test on vessel asset at the end of the year, on the one hand, as the Company regarded all vessels as an asset group, there was no obvious indication of impairment because the earnings estimates of the domestic and foreign trade vessels were offset; on the other hand, in the fourth quarter of 2018, the demand for transportation increased, and the scrapping surged under the growing environmental protection conventions, the prosperity of market emerged, and the freight rate increased significantly. The improvement in fundamentals also makes market participants widely believe that it would reach a stable bottom of international oil transportation in 2018 and would improve in 2019 (the average TCE of VLCC TD3C in 2019 was US$39,413/day, which was also the reasonable evidence for the forecast of the management in 2018). In addition, judging from the assessed operation income expectation of foreign trade vessels, the expected income in 2018 was also higher than that in 2017, which did not meet the conditions for the provision for vessel impairment.

In 2020, the foreign trade tanker shipping market surged in the short term after the oil price war among oil-producing countries, and then the market freight rate remained in a downturn from May 2020 due to a long destocking stage of the oil consumption market. At the end of 2020, according to the capacity renewal plan during the 14th Five-Year Plan period, the Company listed 10 aged foreign trade vessels over 15 years old separately as the "asset group of aged foreign trade vessels", and the remaining vessels as the "asset group of vessels excluding aged foreign trade ones". Based on the consistency model test, the asset group of aged foreign trade vessels had obvious indication of asset impairment. As assessed and recognized by a qualified appraisal company, the vessel assets were impaired by approximately RMB841 million during the year, which was officially announced on 25 January 2021. Such provision was recognized and disclosed in the 2020 annual report, and audited by the auditor, and finally considered and approved by the board of directors.

**(III) Specific impact of implementation of the green development strategies on the impairment**

The international community, industry organizations and enterprises have not yet unified the implementation of policies for "carbon emission reduction" and "carbon neutrality". However, the mainstream view is to reduce traditional fossil energy and increase natural gas and new energy, which will reduce the demand for oil product transportation in the long run, and will potentially affect the future daily revenue forecast of typical routes of various vessel types. At the same time, according to the EEXI energy efficiency rating of the International Maritime Organization and the CII policy implementation, for aged vessels with poor EEXI energy efficiency ratings, their TCE falls behind the typical routes of their vessel type as the power limitation of main engine requires slow-speed sailing.

In addition, according to the green development strategies, the Company will carry out structural optimization on oil tankers. With the introduction of environmentally friendly vessels, high-value cargoes are preferentially allocated to environmentally friendly vessels to achieve high returns. Meanwhile, the clearance of non-environmentally friendly vessels and the reduction of stowable cargo will also reduce the expected revenue of such vessels.

Based on the above, as analyzed, reviewed and confirmed with the valuer, the Company made corresponding adjustments to the TCE forecast level of typical routes by adopting the TCE environmental protection discount coefficient (the average is 0.9) for aged vessels, and brought aged vessels into the corresponding vessel asset group for impairment test.

**(IV) Explanation on whether the asset impairment of the Company in the previous period is insufficient and untimely, and whether it complies with the relevant provisions of the accounting standards in comparison with the impairment of comparable companies in the same industry**

The Company also noted the provision for impairment of vessel assets by A-share companies and overseas companies with similar businesses. However, in view of the large differences among companies in terms of ship structure, route layout, market segmentation and business strategies, as well as the differences in accounting policies such as depreciation period, residual value and asset group setting in terms of vessel assets accounting, there is a lack of comparability on the vessel impairment test results and the time distribution of impairment provision among similar enterprises.

In accordance with the accounting standards and the relevant provisions of the annual reports of listed companies, the Company conducts impairment test on vessel assets at the end of each year. When there are obvious indications of impairment, the Company will promptly and fully make the provision for impairment of vessel assets as reviewed and confirmed by the valuer and auditor. Therefore, the impairment of the Company's assets is sufficient, timely and in line with the relevant provisions of the accounting standards.

**III. As disclosed, the international tanker freight rate showed a downward trend in May 2020. The Company please additionally disclose the solutions and countermeasures which has been taken and intends to be taken by the Company in response to the market downturn, and fully disclose the relevant risks based on the current operating and financial situation.**

**Reply of the Company:**

In the entire shipping market, the oil tanker transportation business has its own unique market segment, which is more impacted by international political, economic and environmental protection policies, and at the same time brings more elasticity of income. In addition, the crude oil is a bulk product with both economic and political attributes. This also determines the complexity and asynchronous cyclical nature of the tanker shipping market compared to other forms of transportation.

In terms of the overall sustainable profitability of the Group, the Company has been committed to increasing the stable revenue of domestic tanker transportation and LNG transportation business, seizing opportunities for foreign trade tanker transportation, and maximizing the flexibility of foreign trade tanker transportation to achieve incremental income.

Faced with the operating pressure brought about by the continued downturn in the international tanker shipping market, the Group has taken measures mainly from four aspects: First, strengthening the research and judgment on the trend of the international tanker shipping market, formulating diversified business strategies, and effectively improving the voyage income; second, intensifying the development of the domestic trade tanker shipping market, and putting the oil tankers with domestic and foreign trade qualifications into the domestic trade tanker shipping market to the maximum extent; third, focusing on LNG transportation project development. Since 2021, COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, has participated in the investment and construction of option projects of 3 LNG carriers in the second phase of PetroChina International, and entered into the framework agreement with partners for the 6 LNG carriers project of CNOOC Gas & Power; fourth, focusing on controlling the fuel consumption of vessels, formulating the best efficient speed based on the actual voyage, and strictly monitoring the fuel consumption of each link of the voyage. At the same time, by strengthening market research and judgment, the Group finely managed fuel procurement work, and achieved procurement savings.

According to the work deployment and future work plan of the Group in 2022, the Group will continue to make efforts on precise cost control, plan the route layout in terms of spot operation, and keep pace with the market in terms of time charter operation. In the face of medium and long-term environmental protection pressure and the challenges brought by energy transition to traditional fossil energy demand, the Group will continue to optimize the structure of the tanker fleet, improve the overall carbon emission performance and efficiency of the fleet, as well as increase the proportion of stable revenue business, seize the opportunity to optimize the LNG transportation business segment, and deeply tap the market potential of the domestic trade tanker shipping segment. The Group will continuously optimize its business structure and improve its ability to resist the risks of fluctuations in the international tanker shipping market, so as to achieve the goal of sustainable development.

For further details of the Company's responses to the Enquiry Letter, please refer to the Company's Announcement on Reply to the Enquiry Letter from the Shanghai Stock Exchange* (《中遠海運能源運輸股份有限公司關於對上海證券交易所問詢函的回覆公告》) published on the website of the Shanghai Stock Exchange on the same date.

By Order of the Board
**COSCO SHIPPING Energy Transportation Co., Ltd.***
**Ren Yongqiang**
*Chairman*

Shanghai, the PRC
27 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.*