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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)

ANNOUNCEMENT ON THE PROVISION FOR LIABILITY IN RESPECT OF ESTIMATED LOSS ON LONG-TERM CHARTERING CONTRACTS

This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 25 January 2017, the board (the “**Board**”) of directors (the “**Directors**”) of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) approved the provision for liabilities in respect of estimated losses on chartering contracts of approximately RMB230 million in total which are to be accounted for in the financial statements of 2016. The provision for liabilities is subject to approval by the shareholders of the Company at the upcoming extraordinary general meeting (the “**EGM**”) expected to be held on 16 March 2017. A circular containing the details of the provision for liabilities together with a notice convening the EGM will be dispatched to the shareholders of the Company in due course.

I. Description of Chartering Contracts

1. Very Large Crude Carrier (“VLCC”) Chartering Contracts

a. DS Vision and DS Venture Chartering Contract

On 28 May 2008, China Shipping Development (Hong Kong) Wytex Limited, a wholly-owned subsidiary of the Company, entered into a time charter with Dr. Peters

GmbH & Co. Emissionshaus KG in respect of two VLCCs, namely DS Vision and DS Venture, for a term of 16 years with a rental of US\$53,475 per day for each vessel respectively. These two vessels were delivered in the first quarter and third quarter of 2011, respectively.

b. Hong Kong Spirit Chartering Contract

大連中遠海運油品運輸有限公司 (“**Dalian COSCO**”), a wholly-owned subsidiary of the Company, entered into a time charter with High-Q Investments Limited in respect of a VLCC, namely “Hong Kong Spirit”, for a term of 5 years (± 30 days) with a rental of US\$37,500 per day. This vessel was delivered on 1 June 2013.

The above three VLCCs are used primarily for the transportation of crude oil from the Middle East to the Far East (in particular, from the Middle East to the PRC), and are expected to be self-operated in the predictable future. Of the three VLCCs, only DS Vision remains chartered out at a rental of US\$41,000 per day under a chartering contract due to expire in the second half of January 2017. Once the chartering contract expires, DS Vision will also become self-operated.

2. Dry Bulk Carrier Chartering Contracts

a. Elvia Chartering Contract

Dalian COSCO entered into a time charter with Elvia Schiffahrtsgesellschaft mbH & Co. KG in respect of a bulk vessel, namely “Elvia”, for a term of “4+1+1+1” years (± 60 days) with a rental of US\$25,500 per day and the vessel was delivered on 30 August 2011. The vessel is used for POOL operation and provides coal transportation in Europe.

b. Piavia Chartering Contract

Dalian COSCO entered into a time charter with Piavia Schiffahrtsgesellschaft mbH & Co. KG in respect of a bulk vessel, namely “Piavia”, for a term of “4+1+1+1” years (± 60 days) with a rental of US\$25,500 per day and the vessel was delivered on 30 August 2011. The vessel is used for POOL operation and provides coal transportation between Australia, the PRC, Japan and Korea.

II. Requirements under the China Accounting Standards for Business Enterprises

According to the requirements under the “Accounting Standards for Business Enterprise No.13 — Contingencies” (企業會計準則第13號 — 或有事項), when a contract the performance of which has not been completed and becomes classified as a loss-making contract and where (i) the obligation is a present obligation of the enterprise; (ii) it is likely that an outflow of economic benefits from the enterprise will be required to settle the obligation; and (iii) amount of the obligation can be quantified reliably, then such estimated losses of the contract shall be recognised as estimated liability.

Accordingly, the Company intends to make the provision for liability in relation to the chartering contracts in respect of the above five long-term chartered vessels as loss-making contracts at the end of 2016.

III. Reasons for the Provision for Liability at the end of 2016

The quoted price for Forward Freight Agreement (“FFA”) plays a guiding role in charter rates in the shipping market. In respect of the two VLCCs which are currently self-operated, the Company proposes to project the estimated losses on the relevant chartering contracts based on the FFA quoted price of similar vessels and make a provision for liability in respect of such estimated losses.

In respect of DS Vision which remains currently chartered out, the Company has estimated the charter-out prices of DS Vision as at the end of 2016 based on the FFA quoted price of similar type of vessels and the present charter-out prices of DS Vision, and proposes to provide for the liabilities as per price spread of charter-in and proposed charter-out.

In respect of the dry bulk carriers, the Company has relied on selected estimates from Norwegian shipping company Torvald Klaveness.

IV. Amount Provided for Liabilities and the Impact thereof on the Company’s Operating Results of 2016

According to the estimates of the Company, the aggregate amounts of liabilities provided for the estimated losses in respect of the chartering contracts of the three VLCCs and the two dry bulk carriers are approximately US\$29,580,000 and US\$770,000, respectively. The total liabilities provided for the estimated losses in respect of the chartering contracts of the above vessels are approximately US\$30,350,000, which is approximately RMB230,000,000 including the losses of foreign exchange for the year 2016. Subject to approval by the shareholders of the Company at the EGM, the above provisions for the liabilities amounting to

approximately RMB230,000,000 are to be accounted for in the Group's profit and loss accounts in 2016, and will result in a decrease of profit of approximately RMB230,000,000 of the Group in 2016.

V. Opinions of the Board

The Board is of the view that the provision for the liabilities in the estimated losses of approximately RMB230,000,000 for the chartering contracts of the above vessels in 2016 was made by the Group on a sufficiently informed basis and in line with the Company's assets and performance, and thus has agreed to such adoption by the Group.

VI. Opinions of Independent Non-executive Directors

The independent non-executive Directors are of the view that the provision made by the Group for the liabilities in the estimated losses of approximately RMB230,000,000 for the chartering contracts of the above vessels in 2016 is in compliance with the requirements of the "Accounting Standards for Business Enterprises" and in line with the Company's assets and performance, and thus have agreed to such adoption by the Group.

VII. Opinions of the Supervisory Committee

The supervisory committee of the Company is of the view that the provision made by the Group for the liabilities in the estimated losses of approximately RMB230,000,000 for the chartering contracts of the above vessels in 2016 is compliant with relevant legal requirements and policies and in line with the Company's financial position and business performance, and thus has agreed to such adoption by the Group.

The financial information contained in this announcement is only a preliminary assessment based on the information currently available, which have not been reviewed or confirmed by the Company's audit committee, and have not been reviewed or audited by the Company's auditors. Further details of the Group's performance will be disclosed when the Group's annual results for the year ended 31 December 2016 are announced.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company, and should read the annual results announcement for the year ended 31 December 2016 carefully which is expected to be published by the Company in March 2017.

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

Shanghai, the PRC
25 January 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Sun Jiakang, Mr. Liu Hanbo and Mr. Lu Junshan as executive Directors, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as non-executive Directors, Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive Directors.

** for identification purpose only*