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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)

MAJOR TRANSACTION
CONSTRUCTION OF NEW VESSELS
SUPPLEMENTAL AGREEMENT IN RELATION TO
THE RELEVANT VESSEL AGREEMENT

Reference is made to (i) the announcement of the Company dated 20 November 2017; (ii) the circular of the Company dated 4 December 2017; and (iii) the poll results announcement of the Company dated 18 December 2017, in relation to, among other things, the construction of the VLCCs.

On 27 December 2019, the Company and Dalian Shipbuilding entered into the Supplemental Agreement in relation to the Relevant Vessel Agreement for the construction of the Relevant VLCC.

INTRODUCTION

Reference is made to (i) the announcement of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**”) dated 20 November 2017 (the “**Previous Announcement**”); (ii) the circular of the Company dated 4 December 2017 (the “**Circular**”); and (iii) the poll results announcement of the Company dated 18 December 2017, in relation to, among other things, the construction of the VLCCs. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Circular.

On 27 December 2019, the Company and Dalian Shipbuilding entered into a supplemental agreement (the “**Supplemental Agreement**”) in relation to one of the Vessel Agreements (the “**Relevant Vessel Agreement**”) for the construction of one of the VLCCs with the vessel number T300K-91 (the “**Relevant VLCC**”).

THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are as follows:

Date

27 December 2019

Parties

- (i) The Company (as purchaser); and
- (ii) Dalian Shipbuilding (as vendor).

Subject Matter

Pursuant to the Supplemental Agreement, the Company has agreed to amend and supplement certain terms of the Relevant Vessel Agreement. The principal amendments and supplements to the Relevant Vessel Agreement are set out below:

Technical specifications of the Relevant VLCC

The 2020 global sulphur limit (the “**Global Sulphur Limit**”) imposed by the International Maritime Organization (the “**IMO**”) will take effect from 1 January 2020 onwards, placing a limit on the amount of sulphur in fuel oil used on vessels. Further, phase 3 of the implementation of the Energy Efficiency Design Index (“**EEDI**”) standards imposed by the IMO on new vessels will take place from 2025 onwards, placing more stringent requirements on the carbon dioxide emission of new vessels. In light of the foregoing, the Company and Dalian Shipbuilding agreed that, pursuant to the Supplemental Agreement, the Relevant VLCC shall be a dual fuel crude oil carrier which can utilize liquefied natural gas (“**LNG**”) as its principal fuel.

Pursuant to the Supplemental Agreement, corresponding adjustments have been made to the capacity, speed and fuel oil consumption of the Relevant VLCC, and the technical specifications in relation to the LNG consumption of the Relevant VLCC have also been added.

Consideration

Pursuant to the Supplemental Agreement, the additional consideration for the construction of the Relevant VLCC is US\$6,000,000, which shall be payable by the Company in RMB based on the exchange rate of US\$1 to RMB6.8.

Pursuant to the Relevant Vessel Agreement, the consideration for the construction of the Relevant VLCC (the “**Consideration**”) shall be payable in five instalments, being 5%, 10%, 10%, 10% and 65% of the Consideration, respectively, at the relevant stages of the construction of the Relevant VLCC.

As at the date of this announcement, the Company has paid the first instalment of the Consideration to Dalian Shipbuilding. The additional consideration for the construction of the Relevant VLCC shall be payable by the Company together with the second instalment of the Consideration and will be funded by the internal financial resources of the Company. The amounts payable under the third, the fourth and the fifth instalments shall remain unchanged.

Delivery

The expected date of delivery of the Relevant VLCC shall be postponed from on or before 31 March 2021 to on or before 31 December 2021.

Adjustments to the Consideration and refusal of delivery

Pursuant to the Supplemental Agreement, there will be no adjustment in the Consideration if the delivery of the Relevant VLCC is delayed for a period not exceeding 90 days. If the delay exceeds such period of time but does not exceed 270 days, there will be a reduction in the Consideration determined on the basis of the extent of the delay. Such reductions in the Consideration will be calculated based on a daily reduction rate of RMB100,500 (equivalent to approximately HK\$112,027) per day, subject to a maximum aggregate amount of reductions of RMB18,090,000 (equivalent to approximately HK\$20,164,923).

If the delay exceeds 270 days, unless the parties agree otherwise, the Company has the right to refuse to accept delivery of the Relevant VLCC in which case Dalian Shipbuilding shall refund all the instalments of Consideration received (together with interest accrued) to the Company.

Save as disclosed in this announcement, all other material terms of the Relevant Vessel Agreement shall remain unchanged and in full force and effect.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

LNG has a low carbon content, higher calorific value per unit and lower power consumption per unit as compared to traditional fuels such as diesel fuel and heavy fuel oil. LNG is also expected to be more economical than low sulphur fuel oil. The inclusion of dual fuel technology in the construction of the Relevant VLCC which allows it to utilize LNG as fuel will enable the Company to prepare for the more stringent carbon dioxide emission standards under phase 3 of the implementation of the EEDI in advance, and provide the Company with a new solution to the imposition of the Global Sulphur Limit.

Accordingly, the Company and Dalian Shipbuilding entered into the Supplemental Agreement to amend and supplement the Relevant Vessel Agreement for the purpose of, among other things, the aforementioned adjustments with a view to including dual fuel technology in its vessels. The terms of the Supplemental Agreement were determined after arm's length negotiations between the Company and Dalian Shipbuilding taking into account the aforementioned adjustments.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the terms of the Supplemental Agreement and the transactions contemplated thereunder do not constitute a material variation to the terms of the Relevant Vessel Agreement.

IMPLICATIONS UNDER THE LISTING RULES

This announcement is made by the Company pursuant to Rule 14.36 of the Listing Rules as the entering into of the Supplemental Agreement constitutes a variation to the terms of the transactions previously announced under the Previous Announcement.

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

Shanghai, the PRC
27 December 2019

For the purpose of this announcement, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.1147. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

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

* *For identification purposes only*