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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)

**PROPOSED ADOPTION OF THE 2023
SHARE OPTION INCENTIVE SCHEME**

The Company hereby announces that on 26 October 2023, the Board passed a resolution in respect of the proposed adoption of the 2023 Share Option Incentive Scheme. The 2023 Share Option Incentive Scheme constitutes a share scheme under Chapter 17 of the Listing Rules, and a summary of its terms is set out in this announcement.

PROPOSED ADOPTION OF THE SCHEME AND THE PRINCIPAL TERMS

A summary of the terms of the proposed Scheme and the proposed grant thereunder are as follows:

A. PURPOSE OF THE SCHEME

The purposes of the Scheme are:

1. to enhance shareholders' value and safeguard equity owners' interest;
2. to develop an interest and risk sharing mechanism between shareholders, the Company and the employees, in order to sufficiently motivate the activeness of the middle and senior management members and core talents of the Company;
3. to assist the management to balance short-term objectives and long-term objectives, to support the implementation of the Company's strategy and long-term sustainable development;
4. to attract and retain quality management talents and essential business caliber, to ensure the long-term development of the Company.

The Scheme is formulated in accordance with relevant requirements under the Company Law, the Securities Law, the Trial Measures, the Incentive System Notice, the Working Guidelines, the Administrative Measures, other relevant laws and regulations, and the Articles of Association.

B. SOURCE OF SHARES UNDER THE SCHEME

The Scheme is a share option incentive scheme. Share option represents the right to be granted to a Participant by the Company to acquire certain number of Shares at a pre-determined price under certain conditions during a particular period of time.

The subject shares involved in the Scheme are A Shares (being ordinary shares) of the Company, the source of which shall be the A Shares (being ordinary shares) to be placed to the Participants by the Company.

C. NUMBER OF THE SHARE OPTIONS PROPOSED TO BE GRANTED UNDER THE SCHEME

The number of the subject shares involved in the total number of Share Options granted to the Participants under the Scheme is 28,081,900 shares, representing approximately 0.589% of the total share capital of the Company of 4,770,776,395 shares as at the date of this announcement, not exceeding 10% of the total issued share capital and not exceeding 10% of the total number of A Shares of the Company as at the time the Scheme is submitted to the shareholders' meeting for approval. Among which, the total number of Share Options granted initially is 22,465,500 shares, representing approximately 0.471% of the total share capital of the Company as at the date of this announcement, and representing 80% of the total number of Share Options under the Scheme. The total number of Reserved Options is 5,616,400 shares, representing approximately 0.118% of the total share capital of the Company as at the date of this announcement, and representing 20% of the total number of Share Options under the Scheme.

Subject to the fulfillment of the Conditions of Exercise, each Share Option entitles the Participant to acquire one A Share of the Company at the Exercise Price during the Validity Period.

The total number of Shares to be issued under the Scheme and under the option or reward that can be granted under other share scheme within its validity period is 38,254,220 A Shares, representing 0.802% of the total issued share of the Company as at the time the Scheme is submitted to the shareholders' meeting for approval, not exceeding 10% of the total issued share capital and not exceeding 10% of the total number of A Shares of the Company as at the time the Scheme is submitted to the shareholders' meeting for approval.

D. DETERMINATION AND ALLOCATION OF PARTICIPANTS OF THE SCHEME

The Participants under the Scheme include the existing Directors, senior management and the essential management and technical caliber who have direct impact on the operating performance and sustainable development of the Company. The supervisors, independent Directors, external Directors of the Company, shareholders or de facto controllers individually or collectively holding more than 5% of the Shares of the Company and their spouses, parents, children shall not participate in the Scheme.

The Participants for the Initial Grant under the Scheme include:

1. Directors and senior management of the Company;
2. other core management of the Company in its headquarter and subsidiaries, including: department officers at the headquarter and management of higher ranking, senior management of subsidiaries, and selected office managers within the departments at the headquarter and department manager of subsidiaries. Department officers at the headquarter retiring before 31 December 2024 and personnel with lower ranking and senior management of subsidiaries and personnel with lower ranking shall not be included.

The total number of the above Participants does not exceed 107, representing approximately 1.28% of the total existing employees of the Company as at the date of this announcement.

Participants for the Reserved Grant are selected by the Board, with specific opinions to be expressed by the independent non-executive Directors and the supervisory committee, and after receiving professional opinions from lawyers together with their written legal opinion, the Company will disclose the relevant information of such Participants in a timely and accurate manner as required in designated websites.

The allocation of Initial Grant is set out in the table below:

Names	Positions	Share Options granted (ten thousands)	Proportion to the total Share Options granted	Proportion to the total share capital of the Company as at the date of this announcement
I. Directors, Senior Management				
Ren Yongqiang	Executive Director, Chairman, Secretary of Party Committee	28.32	1.008%	0.006%

Names	Positions	Share Options granted (ten thousands)	Proportion to the total Share Options granted	Proportion to the total share capital of the Company as at the date of this announcement
Zhu Maijin	Executive Director, General Manager, Deputy Secretary of Party Committee	26.93	0.959%	0.006%
Qin Jiong	Deputy General Manager, Member of Party Committee	20.98	0.747%	0.004%
Yu Bozheng	Deputy General Manager, Member of Party Committee	20.98	0.747%	0.004%
Tian Chao	Chief Accountant, Member of Party Committee	19.68	0.701%	0.004%
Chen Jianrong	Deputy General Manager, Member of Party Committee	19.42	0.692%	0.004%
Ni Yidan	Secretary to the Board	16.49	0.587%	0.003%
Subtotal (7 persons)		152.80	5.441%	0.032%

II. Other Participants

Core management at the headquarter (71 persons)	1,410.97	50.245%	0.296%
Core management of subsidiaries (29 persons)	682.78	24.314%	0.143%
Total Initial Grant (107 persons)	2,246.55	80.000%	0.471%
Reserved quota	561.64	20.000%	0.118%
Total	2,808.19	100.000%	0.589%

Notes:

1. The value of interests granted to the Directors and senior management shall not exceed 40% of their total remuneration level (including the value of interests granted).
2. Any discrepancy in the last digit of the above total amount and the sum of all breakdowns is a result of rounding.
3. The number of the Share Options to be granted to each Participant under the Scheme shall not exceed 1% of the total share capital of the Company as at the date of this announcement. Unless approved by special resolution at a shareholders' meeting, the accumulated number of the shares of the Company involved in the interest granted (including those exercised and not exercised) to any of the Participants under all equity incentive schemes within their validity period shall not exceed 1% of the total share capital of the Company and not exceed 1% of the total number of A Shares of the Company.

E. EXERCISE PRICE OF THE SHARE OPTIONS AND BASIS OF DETERMINATION

The Exercise Price of the Share Options granted initially shall be RMB13.00 per Share, and shall be determined based on the highest of the followings:

1. the average trading price of the A Share on the last trading day immediately preceding the date of the A Share Announcement (i.e. 26 October 2023), being RMB12.91 per Share;
2. one of the average trading prices of the A Share for the last 20/60/120 trading days immediately preceding the date of the A Share Announcement (the average trading price of the preceding 20/60/120 trading days is RMB13.58 per Share, RMB13.55 per Share, RMB13.00 per Share respectively);
3. unit nominal value of an A Share (RMB1).

The Exercise Price of the Reserved Options shall be the highest of the followings:

1. the average trading price of the A Shares on the last trading day immediately preceding the pricing benchmark date;
2. one of the average trading price of the A Shares for the last 20/60/120 trading days immediately preceding the pricing benchmark date;
3. unit nominal value of an A Share (RMB1).

The above pricing benchmark date shall be the resolution date of the Board for approving the grant of Reserved Options.

During the period between the date of this announcement and the date of completion of exercising the Share Options by the Participants, in the event of any ex-rights and ex-dividend issues, such as capitalisation issue, bonus issue, sub-division or consolidation of the Shares, rights issue or declaration of dividends of the Company, the Exercise Price of the Share Options shall be adjusted accordingly.

F. DURATION OF THE SHARE OPTIONS UNDER THE SCHEME

1. Validity Period

The Validity Period for the Exercise of the Share Options granted shall be seven years from the Date of Grant, which means that the employees can exercise on the pre-determined effective and exercise schedule within seven years from the Date of Grant. Share Options not exercised will lapse after seven years from the Date of Grant.

2. Date of Grant

Date of Grant will be determined by the Board upon approval of the Scheme by applicable regulatory authorities (if necessary) and shareholders' meeting. The Date of Grant must be a trading day. Upon the Scheme being approved at the shareholders' meeting and within 60 days from the fulfilment of the Conditions of Grant, the Board may complete the initial grant of the Share Options to the eligible Participants and complete the relevant procedures such as announcement and registration. Failure of completing the above tasks within 60 days, the reason for non-completion will be disclosed in a timely manner, and the implementation of the Scheme will be terminated. No share incentive scheme shall be approved again within 3 months from the date of announcement. Share Options not yet granted will lapse and become invalid.

The Date of Grant for the Reserved Options shall be confirmed by the Board within 12 months after approval of the Scheme at the shareholders' meeting.

No Share Option will be granted during the period as restricted by Rule 17.05 of the Listing Rules.

Participants are not required to make any payment for the application or acceptance of the Share Options.

3. Vesting Period

Vesting Period represents the period from the Date of Grant to the Exercise Date of a Share Option, which shall be a period of 24 months pursuant to the relevant requirements of the SASAC.

4. Exercise Date

Vesting Period shall be within 24 months from the Date of Grant of a Share Option. During the Vesting Period, the Participants shall not exercise the Share Options granted under the Scheme.

Initially granted and reserved Share Options can be exercised after 24 months from the grant. Exercise Date must be a trading day.

During the Exercise Date, upon the fulfilment of effective conditions required by the Scheme, the Share Options granted to the Participants can be exercised in tranches according to the arrangement set out in the following table:

Exercise Period	Exercise Time	Exercise Proportion
First Exercise Period	Commencing on the first trading day after expiry of 24 months (after the second full year) from the Date of Grant and ending on the last trading day of the 36 months from the Date of Grant	33%
Second Exercise Period	Commencing on the first trading day after expiry of 36 months (after the third full year) from the Date of Grant and ending on the last trading day of the 48 months from the Date of Grant	33%
Third Exercise Period	Commencing on the first trading day after expiry of 48 months (after the fourth full year) from the Date of Grant and ending on the last trading day of the 84 months from the Date of Grant	34%

If the current effective conditions are not fulfilled, the Share Options shall not be exercised or deferred to become exercisable in the next exercise period, and the respective Share Options shall be cancelled by the Company. The portion that fails to be exercised within each exercise period shall not be exercised subsequently. After the expiration of the current exercise period, all Share Options not exercised shall lapse, and shall be recalled and cancelled by the Company collectively.

The number of individual effective Share Options of Participants shall be adjusted according to the individual comprehensive appraisal and assessment for the previous year, and the number of the actual effective Share Options shall not exceed their total effective interests for the current period.

Where the Participant is a Director or senior management of the Company, upon the Exercise, no less than 20% of the Shares of the Company granted shall be held until the expiry and assessment being made for the tenure (or employment) before they can be sold. The term tenure (or employment) herein means the tenure for the office from the starting date of the last exercise period.

5. Lock-up period

Lock-up period represents the period during which the restriction is made to the sale of the Shares issued to the Participants upon Exercise. Lock-up period under the Scheme will be implemented in accordance with the relevant laws including the Company Law and the Securities Law, administrative regulations, authority rules and regulatory documents and the Articles of Association, and specific requirements are set out below:

- (1) where the Participant is a Director or senior management of the Company, the number of Shares that may be transferred by the Participant per year during his/her term of office shall not exceed 25% of the total number of Shares held; and no Shares held shall be transferred within the half year after termination of office;
- (2) where the Participant is a Director or senior management of the Company, if there is any disposal of the Shares of the Company held within 6 months after acquisition, or any further acquisition within 6 months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains;
- (3) if, during the exercise period of the Scheme, there is any amendment to the relevant requirements regarding the transfer of Shares held by a Director or senior management of the Company under the relevant laws including the Company Law and the Securities Law, administrative regulations, authority rules and regulatory documents and the Articles of Association, then such Participants shall comply with such amended laws including the Company Law and the Securities Law, administrative regulations, authority rules and regulatory documents and Articles of Association when transferring the Shares of the Company held.

G. CONDITIONS OF GRANT AND EFFECTIVENESS UNDER THE SCHEME

1. Conditions of Grant of the Share Options

The Share Options shall only be granted to the Participants by the Company under the Scheme when the following conditions are fulfilled by the Company and the Participants:

- (1) There is no occurrence of any of the followings in respect of the Company:
 - (a) issuance of the auditors' report containing an adverse opinion or indicating inability to give an opinion by a certified public accountant on the financial and accounting report for the latest accounting year;
 - (b) issuance of the auditors' report containing an adverse opinion or indicating inability to give an opinion by a certified public accountant on the internal control of the financial report for the latest accounting year;

- (c) circumstances under which the Company fails to distribute profits in accordance with relevant laws and regulations, the Articles of Association or any undertaking publicly made within the latest 36 months after listing;
 - (d) circumstances under which equity incentive is prohibited to be implemented under the applicable laws and regulations;
 - (e) circumstances under which equity incentive is prohibited to be implemented by the CSRC;
 - (f) such other circumstances under which equity incentive is prohibited to be implemented by the Shanghai Stock Exchange.
- (2) There is no occurrence of any of the followings in respect of the Participant:
- (a) who has failed individual comprehensive appraisal and assessment for the accounting year immediately preceding the grant of the Share Options under the appraisal measures;
 - (b) who is deemed as an inappropriate candidate by a stock exchange in the latest 12 months;
 - (c) who is deemed as an inappropriate candidate by the CSRC and its derived agencies in the latest 12 months;
 - (d) who is imposed by the CSRC and its derived agencies with administrative penalties or measures prohibiting accessing into the market in the latest 12 months by reason of material violation of laws and regulations;
 - (e) who is prohibited by the Company Law from acting as a Director or senior management of the Company;
 - (f) who is prohibited by the applicable laws and regulations from participating in an equity incentive of a listed company;
 - (g) such other circumstances as determined by the CSRC.
- (3) The grant can be implemented only if the audited financial data of the Company fulfils the following conditions:
- (a) in respect of the accounting year immediately preceding the grant (2022), EOE attributable to owners of the Company shall be no less than 21% and the 50th percentile of Benchmark Enterprises;

- (b) the compound growth rate of the total profit for 2019-2022 shall be no less than 22.3% and the 50th percentile of Benchmark Enterprises;
- (c) in respect of the latest accounting year, the economic value added (EVA) shall meet the target delegated to the Group by the SASAC and disintegrated to the Company.

Where: $EOE = \frac{\text{EBITDA after extraordinary profit and loss for the period}}{[(\text{net assets attributable to shareholders of the listed company at the beginning of the period} + \text{net assets attributable to shareholders of the listed company at the end of the period}) \div 2]} \times 100\%$.

Where the Company fails to fulfill the Conditions of Grant, no Share Options shall be granted by the Company under the Scheme; where any Participant fails to fulfill the Conditions of Grant, no Share Options shall be granted to such Participant by the Company under the Scheme.

2. Conditions of effectiveness of the Share Options

The Share Options granted by the Company to the Participants under the Scheme shall come into effect in part or in full when the following conditions are fulfilled by the Company and the Participants:

- (1) There is no occurrence of any of the followings in respect of the Company:
 - (a) issuance of the auditors' report containing an adverse opinion or indicating inability to give an opinion by a certified public accountant on the financial and accounting report for the latest accounting year;
 - (b) issuance of the auditors' report containing an adverse opinion or indicating inability to give an opinion by a certified public accountant on the internal control of the financial report for the latest accounting year;
 - (c) circumstances under which the Company fails to distribute profits in accordance with relevant laws and regulations, the Articles of Association or any undertaking publicly made within the latest 36 months after listing;
 - (d) circumstances under which equity incentive is prohibited to be implemented under the applicable laws and regulations;
 - (e) circumstances under which equity incentive is prohibited to be implemented by the CSRC;

- (f) such other circumstances under which equity incentive is prohibited to be implemented by the Shanghai Stock Exchange.
- (2) There is no occurrence of any of the followings in respect of the Participant:
- (a) who has failed individual comprehensive appraisal and assessment for the accounting year immediately preceding the effectiveness of the Share Options under the appraisal measures;
 - (b) who is deemed as an inappropriate candidate by a stock exchange in the latest 12 months;
 - (c) who is deemed as an inappropriate candidate by the CSRC and its derived agencies in the latest 12 months;
 - (d) who is imposed by the CSRC and its derived agencies with administrative penalties or measures prohibiting accessing into the market in the latest 12 months by reason of material violation of laws and regulations;
 - (e) who is prohibited by the Company Law from acting as a director or senior management of the Company;
 - (f) who is prohibited by the applicable laws and regulations from participating in an equity incentive of a listed company;
 - (g) such other circumstances as determined by the CSRC.

3. Performance conditions for the Share Options to become effective

The Scheme includes performance conditions based on the growth of the future performance targets of the Company. Upon the fulfilment of the relevant conditions by all performance indicators, the Share Options can become effective according to the effectiveness arrangement only when there is no occurrence of circumstance which has prohibited the effectiveness of the Share Options as set out by the requirements of the SASAC and the CSRC. Specific effective conditions are as follows:

(1) Performance conditions on company level

The number of the Share Options to be effective in each effective year under the grant shall be adjusted according to the performance coefficient on company level for the last year: Number of actual effective Share Options on company level = Number of the Share Options planned to be effective for the period × performance coefficient of the Company.

Performance targets for each effective year are as follows:

Performance Targets	First Exercise Period (One year immediately preceding the Share Options coming into effect, being 2024)	Second Exercise Period (One year immediately preceding the Share Options coming into effect, being 2025)	Third Exercise Period (One year immediately preceding the Share Options coming into effect, being 2026)
EOE attributable to owners of the Company	No less than 22.0%, and no less than the 75th percentile of Benchmark Enterprises	No less than 24.0%, and no less than the 75th percentile of Benchmark Enterprises	No less than 26.0%, and no less than the 75th percentile of Benchmark Enterprises
Compound growth rate of the total profit compared to 2022	No less than 24.1%, and no less than the 75th percentile of Benchmark Enterprises	No less than 24.3%, and no less than the 75th percentile of Benchmark Enterprises	No less than 24.5%, and no less than the 75th percentile of Benchmark Enterprises
Economic value added (EVA)	Completion of targets delegated to the Group by the SASAC and disintegrated to the Company		

Notes:

1. EOE attributable to owners of the Company, the formula is: EBITDA after extraordinary profit and loss for the period ÷ [(net assets attributable to shareholders of the listed company at the beginning of the period + net assets attributable to shareholders of the listed company at the end of the period) ÷ 2] × 100%.
2. If the performance targets fulfil the above targets simultaneously, the performance coefficient of the Company will be 100%, otherwise it will be 0.
3. During the Validity Period of the incentive scheme, if the Company or its consolidated unit has changes in net assets arising from issuance of new shares, rights issue, share capital increase and other matters, the changes in net assets arising from such matter shall be excluded from the appraisal.
4. According to the relevant policy of the SASAC, 20 A shares listed companies, Hong Kong listed companies and companies listed on other stock exchanges, which are operating a similar business with the Company, have been selected as Benchmark Enterprises.
5. The Board is entitled to make adjustment and revision to the above performance indicators according to the company strategy, market environment and other factors, and perform the relevant approval and filing procedures.

The performance condition for each exercise period for the Reserved Options is identical to that of the Initial Grant.

- (2) *The relationship between the individual comprehensive appraisal and assessment results of the Participants and the proportion of the Options to be effective is as follows:*

Comprehensive appraisal and assessment ranking for the year immediately preceding the Share Options becoming effective	Excellent or qualified	Basically qualified	Unqualified
Individual performance coefficient	100%	80%	0

Number of individual actual effective Share Options = Number of individual expected effective Share Options for the period × Performance coefficient of the Company × Individual performance coefficient.

Only the effective Share Options can be exercised, the portion not effective cannot be exercised.

H. ACCOUNTING TREATMENTS IN RESPECT OF THE SCHEME

1. Accounting treatments in respect of the Share Options

According to the provisions of Accounting Standards for Business Enterprises No.11 – Share-based Payments and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company will measure and calculate the costs of the Share Options of the Company according to the accounting treatments set out below:

- (1) Accounting treatment on the Date of Grant: as the Share Options could have not been exercised as at the Date of Grant, no relevant accounting treatments are required.
- (2) Accounting treatment in the Vesting Period: on each balance sheet date during the Vesting Period, the Company will, based on the optimally estimated number of exercisable Share Options, recognise income from services as relevant capital costs or expenses for the current period, and as other capital reserves under capital reserves at the same time according to the fair value of the Share Options as at the Date of Grant.
- (3) Accounting treatment after the Exercise Date: no more adjustment will be made to the costs and expenses and the owner's interests already recognised.

- (4) Accounting treatment on the Exercise Date: share capital and premium of share capital will be recorded based on the Conditions of Exercise, and “capital reserve – other capital reserve” will be carried forward accordingly.

2. Fair value of the Share Options

The Company will select the internationally adopted Black-Scholes Option Pricing Model to make a pre-calculation over the fair value of the Share Options to be granted (formal calculation will be conducted at the time of grant) with 26 October 2023 being the valuation benchmark date in accordance with Accounting Standards for Business Enterprises No. 11 – Share-based Payments and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments issued by the Ministry of Finance and the requirements of the SASAC. The value of all parameters of the valuation model and descriptions are as follows:

Valuation factors	Value of factors	Brief description
Expected volatility	48.91%	historical share price volatility of the Company in the latest year
Expected dividend yield	0%	according to valuation principles and the regulatory requirements of the SASAC, if a share option scheme has stipulated the principle for adjustment to the exercise price after distribution of dividends by the Company, the expected dividend rate will no longer be considered in the fair value valuation of a share option and 0% will be used as an input
Risk-free interest rate	2.4914%	according to the 3.83-year national bond rate linearly simulated from the yield of the 3-year and 5-year Chinese National Bond as at the valuation benchmark date
Expected life	3.83 years	expected life = $0.5 \times (\text{weighted expected effective period} + \text{total effective life})$, being: $0.5 \times [33\% \times (2+3) + 33\% \times (3+4) + 34\% \times (4+7)] = 3.83$ (years)
Exercise price	RMB13.00	the relevant exercise price required by the CSRC and the SASAC
Market price of Share	RMB13.00	valuation benchmark is the closing price of A Share of the Company

According to the preliminary calculation made by the valuation model, the fair value of each Share Option in such grant is RMB5.18. The valuation results on the value of the Share Options herein shall not be referred to as basis of accounting treatments. The fair value of the Share Options to be used in cost calculation needs to be calculated afresh by collecting the real-time market data on the Date of Grant upon the actual completion of the grant.

3. Amortisation of expenses and impact on the operating results of the Company

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, during the period with restricted effectiveness of the Share Options, costs of the Share Options to be granted under the Scheme shall be accounted for as costs or expenses and capital reserves based on the optimally estimated number of the Share Options exercised according to the fair value as at the Date of Grant. Thus, the amortisation of the costs of the Share Options will affect the operating results of the Company to a certain extent.

The incentive costs incurred under the Scheme will be itemized in recurring gains and losses. Based on the estimation over the current situation, without considering the stimulating effect of the Scheme on the Company's performance, the amortisation of costs incurred under the Scheme is expected to affect the Company's net profits for each year during the validity period for the exercise of Options, but the extent of impact will be insignificant.

I. METHOD AND PROCEDURES OF ADJUSTMENT TO THE NUMBER AND EXERCISE PRICE OF THE SHARE OPTIONS

1. Method of adjustment to the number of the Share Options

In the event of capitalisation issue, bonus issue, sub-division or consolidation, rights issue of Shares and other matters prior to any exercise, the number of the Share Options shall be adjusted accordingly. Method of adjustment shall be authorised at the shareholders' meeting and then determined by the Board according to the relevant laws and regulations, method of adjustment should be as follows in principle:

(1) Capitalisation issue, bonus issue and sub-division of Shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of the Share Options before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares (i.e. the number of increased Shares per Share upon capitalisation issue, bonus issue or subdivision of Shares); Q represents the adjusted number of the Share Options.

(2) Consolidation of Shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of the Share Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into n Shares); Q represents the adjusted number of the Share Options.

(3) Rights issue

$$Q = Q_0 \times P_1 \times (1+n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of the Share Options before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the subscription price of the rights issue; n represents the ratio of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total Share capital of the Company before the rights issue); Q represents the adjusted number of the Share Options.

(4) New issue

In the event of any new issue of Shares, no adjustment shall be made to the number of the Share Options.

2. Method of adjustment to the Exercise Price of the Share Options

In the event of any dividend distribution, capitalisation issue, bonus issue, sub-division or consolidation, rights issue of Shares and other matters prior to any Exercise, the Exercise Price shall be adjusted accordingly. Method of adjustment shall be authorised at the shareholders' meeting and then determined by the Board according to the relevant laws and regulations, method of adjustment should be as follows in principle:

(1) Capitalisation issue, bonus issue and sub-division of Shares

$$P = P_0 \div (1+n)$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares; P represents the adjusted Exercise Price.

(2) Consolidation of Shares

$$P = P_0 \div n$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted Exercise Price.

(3) *Rights issue*

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the Exercise Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the subscription price of the rights issue; n represents the ratio of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total Share capital of the Company before the rights issue); P represents the adjusted Exercise Price.

(4) *Declaration of dividend*

$$P = P_0 - V$$

Where: P_0 represents the Exercise Price before the adjustment; V represents the dividend rate per Share; P represents the adjusted Exercise Price.

(5) *New issue*

In the event of any new issue of Shares by the Company, no adjustment shall be made to the Exercise Price of the Share Option.

The Shareholders' meeting will authorise the Board to make adjustments to the number of grant and the Exercise Price of the Share Options based on the considerations as set out in the Scheme. The Company shall engage legal advisers to give professional advice to the Board regarding whether such adjustments are in compliance with relevant laws and regulations, the Articles of Association and the requirements under the Scheme. Announcement shall be disclosed in a timely manner after any adjustment of the Exercise Price or the number of the Share Options by the Board in accordance with the aforementioned provisions.

Where adjustments are required to be made to the number of the Share Options, the Exercise Price or other terms for any other reasons, such adjustments shall be resolved by the Board and be considered and approved at the shareholders' meeting.

J. PROCEDURES OF ADOPTION OF THE SCHEME, GRANT OF THE SHARE OPTIONS BY THE COMPANY AND EXERCISE BY THE PARTICIPANTS

1. The procedures of adoption of the Scheme include, among other things:

- (1) with the approval by SASAC in respect of the Scheme, it will be submitted to the Shareholders' meeting for consideration. During the voting process of the Scheme at the Shareholders' meeting, independent Directors shall collect proxy voting rights regarding the Scheme from all Shareholders, and the Company will provide the choice of voting on site and via the Internet.
- (2) upon consideration and approval of the Scheme at the shareholders' meeting, the Company will grant Share Options to Participants which may be capable of exercising over a specific period subject to the above Conditions of Exercise. Date of grant must be a trading day and shall comply with the relevant requirements.

2. The procedures of grant of the Share Options and exercise by the Participants include, among other things:

- (1) Grant procedures of the Share Options, among other things
 - (a) The Board will consider if the conditions for granting interests to the Participants have been fulfilled, and independent Directors, the supervisory committee and law firm shall express specific opinions.
 - (b) The Board of the Company shall act under the authorisation of the shareholders' meeting to perform the specific procedures of granting the Share Options. Upon the grant of the Share Options, the Company will enter the "Agreement of grant of the Share Options" with the Participants, notifying each Participant the relevant information such as the number granted, the Exercise Price and the effective arrangement, and to stipulate the rights and obligations of both parties.
 - (c) Upon the incentive scheme being considered and approved at the shareholders' meeting, the Company shall, within 60 days after the fulfilment of Conditions of Grant, complete the corresponding procedures such as the grant, registration and announcement of the Share Options. Upon confirmation by the stock exchange, the registration and clearing company will handle the clearing and transfer issues. The Board of the Company shall make the relevant information disclosure for the grant.
 - (d) The Participants shall cooperate with the Company to follow the relevant requirements of the CSRC, stock exchange, registration and clearing company to perform the registration procedure.

- (2) Exercise procedures of the Participants, among other things
 - (a) The Participants shall submit the “Application of Exercise of the Share Options” to apply for the exercise, and confirm the number of each Share Options to be exercised.
 - (b) Upon the confirmation and verification of the Board over the application of Exercise by the Participants, the Company will make the application of Exercise to the stock exchange, and make the specific issue of share to the Participants according the number of Exercise. Upon the confirmation of the stock exchange, the Company will apply to the registration and clearing company for performing registration and clearing procedures.

K. THE AMENDMENT AND TERMINATION PROCEDURES OF THE SCHEME INCLUDE, AMONG OTHER THINGS:

1. Amendment procedures of the Scheme

- (1) The Company can amend the Scheme before it is considered and approved at the shareholders’ meeting, such amendment shall be considered and approved by the Board, and shall submit to the competent authority of the SASAC and/or authorised office for review and approval.
- (2) If the Company amends the Scheme after it is approved at the shareholders’ meetings, it shall be announced in a timely manner, and shall submit to the competent authority of the SASAC and/or authorised office for review and approval before it is submitted to the shareholders’ meeting for consideration, and shall not include the followings:
 - (a) the condition that results in the acceleration of the Exercise;
 - (b) the condition that will reduce the Exercise Price.

2. Termination procedures of the Scheme

- (1) The Scheme will automatically expire in seven years from the date of the approval of the Scheme at the shareholders’ meeting and the completion of the initial grant by the Board pursuant to the Scheme.
- (2) During the Validity Period for the Scheme, the Board may, if it deems necessary, propose a resolution to the shareholders’ meeting for the early termination of the Scheme. In the event the shareholders’ meeting decides to terminate the Scheme earlier, the Company shall cease to grant any Share Options pursuant to the Scheme.

Unless otherwise stipulated, the Share Options granted prior to the termination of the Scheme shall remain valid and continue to be exercisable pursuant to the provisions of the Scheme.

L. RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS

1. The rights and obligations of the Company include:

- (1) the Company shall have the right to request the Participants to work for the Company according to the requirement of the positions offered, and if the Participants cannot fulfil the job requirements for the positions offered or have failed the performance appraisal, upon the approval by the remuneration and appraisal committee of the Company and filing with the Board, the Company may cancel the outstanding Share Options of the Participants;
- (2) if the Participants breaches the obligation of integrity under the Company Law and the Articles of Association, or impairs the interests and reputation of the Company due to breaching of law, violation of professional ethics, leaking of confidential information of the Company, breach of duty or malfeasance, the right of Exercise of the outstanding Share Options will be cancelled; if the breach is serious, the Board shall have the right to recover all or part of the gains or interests deriving from the Share Options;
- (3) the Company shall withhold and remit the individual income tax and other taxes which are required to be paid by the Participants in accordance with PRC tax laws;
- (4) the Company shall not provide loans and financial assistance in any other forms to the Participants for the exercise of the Share Options under the Scheme, including providing guarantee for loans;
- (5) the Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Scheme in accordance with the relevant requirements;
- (6) the Company shall actively support the Participants who have fulfilled the Conditions of Exercise to exercise in accordance with the relevant requirements including those of the Scheme, the CSRC, stock exchange, registration and clearing company. However, the Company disclaims any liability for any loss suffered by the Participants arising from the inability to exercise as desired due to reasons relating to the CSRC, stock exchange, registration and clearing company;
- (7) other relevant rights and obligations as stipulated by laws and regulations.

2. The rights and obligations of the Participants include:

- (1) the Participants shall comply with the requirements of the positions offered as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company;
- (2) subject to the satisfaction of the relevant provisions of the Scheme, the Participants have the right to and shall exercise Share Options in accordance with the laws, regulations, rules, the Articles of Association, the Scheme and other rules, and shall lockup and sell and purchase the Shares according to the rules, and comply with the relevant obligations as stipulated by the Scheme;
- (3) the Participants can decide whether to exercise Share Options, as well as the number of the Share Options to be exercised, within the exercisable limit granted on a voluntary basis, and shall bear the required capital and expenses for the exercise;
- (4) the Participants shall guarantee that the source of funds for the exercise under the Scheme shall be self-financed by the Participants, and the source of funds shall be legal and is not in breach of laws, regulations and requirements from the CSRC;
- (5) Share Options granted to the Participants shall not be transferred or used as guarantee or repayment of debts;
- (6) the Participants shall undertake that, if the Company does not comply with the requirements and the arrangement to grant or exercise Share Options due to any false information, misleading statements or material omissions of information disclosure documents, the Participants shall return to the Company all his gains generated from the Scheme since the date of the confirmed existence of the false information, misleading statements or material omissions;
- (7) the Participants shall comply with the Securities Law, the Company Law and other regulations regarding any sale or purchase of Shares before and after any exercise of the Share Options granted, and shall not conduct insider dealing, manipulation of the securities market or other illegal activities by means of the Scheme;
- (8) any gains of the Participants generated from the Scheme are subject to individual income tax and other taxes according to PRC tax laws;
- (9) other relevant rights and obligations as stipulated by laws and regulations.

There are no voting rights, dividend rights or other rights (including those arising on the liquidation of the Company) attaching to the Share Options. The Share Options shall not be transferred or used as guarantee or repayment of debts.

M. HANDLING OF SPECIAL OCCASIONS OF THE COMPANY AND PARTICIPANTS

1. Handling of special occasions of the Company

- (1) Upon the occurrence of any of the following to the Company, subject to the extent of changes of the relevant conditions, the shareholders' meeting shall authorise the Board to determine whether to continue, amend, suspend or terminate the Scheme, other than the rules in relation to the relevant laws, administrative regulations, authority rules or regulatory document which are expressly required to be exercised by the shareholders' meeting:
 - (a) change of control of the Company;
 - (b) situations such as the consolidation or demerger of the Company;
 - (c) other material change to the Company.

- (2) Upon the occurrence of any of the following to the Company, the implementation of the Scheme shall be terminated, the exercise of the Share Options by the Participants approved but not yet exercised shall be terminated, and the Share Options not yet approved shall be cancelled:
 - (a) issue of the financial and accounting report for the latest accounting year in which a certified public accountant gives an adverse opinion or indicates inability to give an opinion;
 - (b) issue of the financial report containing internal control for the latest accounting year in which a certified public accountant gives an adverse opinion or indicates inability to give an opinion;
 - (c) circumstance where the laws, administrative regulations, authority rules have prohibited implementation of share incentive;
 - (d) other circumstances determined by the CSRC;
 - (e) significant disagreement has been raised by the SASAC or authority, the supervisory committee or audit department over the Company's performance or annual financial and accounting report;
 - (f) occurrence of significant irregularities, and has been punished by securities regulator and other related authority.

2. Handling of special occasions of the Participants individually

- (1) Upon the occurrence of the following, on the date of the occurrence of such event, the Share Options of the Participant approved to be exercised but not yet exercised will be terminated, the Share Options not yet approved to be exercised will lapse, and the Board will recover the equity incentive gain received subject to the materiality of the event:
 - (a) The results of the economic responsibility audit indicate that there is ineffective performance of duties or serious breach of duty or malfeasance acts;
 - (b) violation of the national laws and regulations and Articles of Association;
 - (c) during the term of employment, has been involved in bribery, corruption, theft, leaking of commercial and technical secrets of the Company, entering of connected transactions which impair the interest and reputation of the Company, and illegal acts which have material adverse effect to the image of the Company, resulting in loss to the Company;
 - (d) non-performance or incorrectly performance of duty, resulting in a significant asset loss to the Company and other material adverse outcome.

- (2) Upon the occurrence of the following and resulting in the loss of the eligibility to participate in the Scheme, on the date of the occurrence of such event, the Share Options of the Participants approved to be exercised but not yet exercised will be terminated, the Share Options not yet approved to be exercised will lapse:
 - (a) deemed as an inappropriate candidate by a stock exchange in the latest 12 months;
 - (b) deemed as an inappropriate candidate by the CSRC and its derived agencies in the latest 12 months;
 - (c) imposed by the CSRC and its derived agencies with administrative penalties or measures prohibiting accessing into the market in the latest 12 months by reason of material violation of laws and regulations;
 - (d) prohibited by the Company Law from acting as a director or senior management of the Company;
 - (e) a change of job duties due to the impairment to the interests or reputation of the Company resulting from the inability to fulfil job requirements, failure of the performance appraisal, violation of law, violation of professional ethics,

breach of duty or malfeasance acts, or the Company terminates the employment relationship with the Participant as a result of the aforementioned reasons;

- (f) any circumstances which the Board of the Company determines to be serious violation of the Company's regulations or serious impairment to the Company's interests;
 - (g) other circumstances as determined by the Board or the CSRC.
- (3) Upon the occurrence of the following, on the date of the occurrence of such event, the Share Options of the Participants approved to be exercised but not yet exercised will remain exercisable, and shall complete the exercise within 6 months after the date of the termination of employment, the Share Options not yet approved to be exercised will lapse:
- (a) the Company proposes to terminate or release the employment relationship with the Participant due to objective reasons;
 - (b) the Company proposes not to renew the labour contract or engagement contract when it expires;
 - (c) the Participant becomes incapacity as a result of carrying duty and being wounded;
 - (d) on the death of the Participants, the portion of the Share Options which are exercisable shall complete the exercise by their designated property successors or legal successor within 6 months;
 - (e) the Participants become independent Director, supervisor or other personnel who can neither hold the Shares of the Company nor be granted the Share options as required by the laws, administrative regulations or authority rules.
- (4) for the Participant who retires when reaching the retirement age as stipulated by the state and the regulations of the Company, and has terminated the employment without any engagement relationship with the Company, the Share Options approved to be exercised but not yet exercised will remain exercisable, and shall complete the exercise within 6 months after the date of the termination of employment. The Share Options effected during the year which the date of retirement falls on shall be exercised within 6 months upon effective as scheduled, other Share Options not yet approved to be exercised will lapse:

- (5) Upon the occurrence of the following, on the date of the occurrence of such event, the Share Options of the Participants approved to be exercised but not yet exercised will be terminated, the Share Options not yet approved to be exercised will lapse:
- (a) where the Participant unilaterally resigns from his/her position during the term of employment contract;
 - (b) where the Participant does not renew the employment contract with the Company upon its expiry;
 - (c) where the interests and reputation of the Company has been impaired as the Participant is not qualified for the job as a result of continuous under-performance, breaching of law, violation of professional ethics, leaking of confidential information of the Company, breach of duty or malfeasance, and the employment of the Participant has been terminated.
- (6) Where the job duties of the Participant have been changed, but still remain as the Directors, senior management or core personnel entitled to incentive of the Company with administrative roles, or being appointed to any position in subsidiary of the Company, on the date of the occurrence of such event, the Share Options of the Participants approved to be exercised but not yet exercised will remain exercisable, the Share Options granted remain unchanged and are exercisable as stipulated.
- (7) Where the Participant is transferred to China Shipping Group or other companies within China Shipping Group as a result of organisational arrangement, and there is still a significant professional synergistic relationship with the Company after the transfer, the Board shall determine the exercise arrangement of such Participant.
- (8) Other circumstances not stated and the handling method shall be determined by the Remuneration and Appraisal Committee of the Board,

IMPLICATIONS UNDER THE LISTING RULES

The Scheme constitutes a share scheme under Chapter 17 of the Listing Rules. Therefore, the grant of the Share Options under the Scheme towards any Participant who is a connected person of the Company will be fully exempted from complying the requirement of reporting, announcement and approval of independent shareholders under Rule 14A.92(3)(a) of the Listing Rules.

The Company will apply for a waiver from strict compliance of Rule 17.03E of the Listing Rules in respect of the Exercise Price of the proposed grant of the Share Options. For details of the determination of the Exercise Price under the Scheme, please refer to the paragraph headed “Exercise Price of the Share Options and Basis of Determination” in this announcement.

The Company will also convene a Board meeting to consider and approve the termination of the existing continuing and effective 2018 Share Options Incentive Scheme before convening the extraordinary general meeting and class meetings to consider the Scheme.

SHAREHOLDERS' MEETINGS AND CIRCULAR

An extraordinary general meeting and class meetings of the Company will be held to approve the Scheme. A circular containing, among other things, (i) terms of the Scheme; (ii) a notice convening the extraordinary general meeting of the Company; and (iii) a notice convening the class meeting of holders of H shares of the Company, will be despatched to holders of H Shares of the Company as soon as possible.

DEFINITIONS

In this announcement, unless otherwise requires, the following terms shall have the following meanings:

“2018 Share Option Incentive Scheme”	the Revised A Share Option Incentive Scheme considered and approved at an extraordinary general meeting and class meetings on 17 December 2018, the details of which is set out in the circular of the Company dated 30 November 2018
“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (Stock Code: 600026)
“A Share Announcement”	the announcement of the Company to be published on Shanghai Stock Exchange on 27 October, 2023, regarding, among others, the proposed adoption of the Scheme
“Administrative Measures”	the Administrative Measures on Share Option Incentives of Listed Companies (Zhong Guo Zheng Jian Hui Ling No. 126)(《上市公司股權激勵管理辦法》(中國證監會令第126號)), amended on 15 August 2018 (Zhong Guo Zheng Jian Hui Ling No. 148) (中國證監會令148號)
“Articles of Association”	the Articles of Association of the Company
“Board”	the board of Directors of the Company

“Company”	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 established in the PRC, whose H shares and A shares are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 1138) and the Shanghai Stock Exchange (Stock Code: 600026), respectively
“Company Law”	the Company Law of the People’s Republic of China
“Benchmark Enterprises”	a group of companies selected according to the relevant policy of the SASAC to make performance comparison with the Company
“Conditions of Exercise”	conditions to be fulfilled by a Participant to Exercise a Share Option according to the Scheme
“Conditions of Grant”	conditions to be fulfilled by a Participant to be granted a Share Option according to the Scheme
“CSRC”	China Securities Regulatory Commission
“Date of Grant”	the date on which a Share Option is granted to a Participant by the Company, which must be a trading day
“Director(s)”	the director(s) of the Company
“Exercise”	a Participant exercising Share Option(s) to acquire A Shares pursuant to the exercise of the Share Option(s) in accordance with the conditions stipulated under the Scheme
“Exercise Date”	the date on which a Participant is entitled to Exercise, which must be a trading day
“Exercise Price”	the price determined under the Scheme for a Participant to acquire Shares of the Company
“H Share(s)”	overseas listed foreign shares of nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Stock Exchange (Stock Code: 1138)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Incentive System Notice”	the Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號))

“Initial Grant”	the initial grant of up to 22,465,500 Share Options to the Participants under the Scheme
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant(s)”	persons eligible to be granted Share Options under the Scheme
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Reserved Grant”	grant of Reserved Options
“Reserved Options”	up to 5,616,400 Share Options reserved under the Scheme to be granted to the Participants
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council, the PRC
“Scheme” or “2023 Share Option Incentive Scheme”	the 2023 A Share Option Incentive Scheme of the Company proposed for adoption
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	A Share(s) and/or H Share(s)
“Share Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares according to pre-determined conditions in a particular period of time
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trial Measures”	Trial Measures on Implementation of Share Incentive Schemes by State Controlled Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號))
“Validity Period”	the period from the Date of Grant of a Share Option to the date on which the Share Option expires

“Vesting Period”	the period between the Date of Grant and the first Exercise Date of a Share Option
“Working Guidelines”	Guidelines on the Implementation of Equity Incentives by Listed Companies Controlled by Central Enterprises (Guo Zi Kao Fen [2020] No. 178) (《中央企業控股上市公司實施股權激勵工作指引》(國資考分[2020]178號))

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

Shanghai, the People’s Republic of China
26 October 2023

As at the date of this announcement, the Board comprises Mr. Ren Yongqiang and Mr. Zhu Maijin as executive directors, Mr. Wang Wei and Ms. Wang Songwen as non-executive directors, and Mr. Victor Huang, Mr. Li Runsheng, Mr. Zhao Jinsong and Mr. Wang Zuwen as independent non-executive directors.

* *For identification purposes only*