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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer and other registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **COSCO SHIPPING Energy Transportation Co., Ltd.**, you should at once hand this circular, the enclosed form of proxy to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**(1) PROPOSED ADOPTION OF THE 2023 SHARE OPTION INCENTIVE  
SCHEME AND THE PROPOSED GRANT**  
**(2) PROPOSED AUTHORISATION TO THE BOARD TO DEAL WITH  
MATTERS RELATED TO THE 2023 SHARE OPTION INCENTIVE SCHEME**  
**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING  
AND**  
**(4) NOTICE OF H SHARES CLASS MEETING**

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Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 20 of this circular.

A notice convening the EGM to be held at 10 a.m. on Friday, 10 May 2024 at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China is set out on pages EGM-1 to EGM-2 of this circular. A notice convening the H Shares Class Meeting to be held at 10 a.m. (in the order of the EGM, A Shares Class Meeting and H Shares Class Meeting) on Friday, 10 May 2024 at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the People's Republic of China is set out on pages HCM-1 to HCM-2 of this circular.

Whether or not you are able to attend the above meetings, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of such meetings or any adjournment thereof (i) in case of H Shareholders, to the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (ii) in case of A Shareholders, to the Office of the Board of Directors of the Company at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC. Completion and return of the form of proxy will not preclude you from attending and voting in person at the above meetings or at any adjournment thereof should you so wish.

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the expressions below shall have the following meanings:*

“2018 Share Option Incentive Scheme”	the revised A share option incentive scheme considered and approved at the 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 published on Shanghai Stock Exchange on 27 October 2023, regarding, among others, the proposed adoption of the Scheme
“A Shareholder(s)”	holder(s) of A Shares
“A Shares Class Meeting”	the class meeting for A Shareholders to be held at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC at 10 a.m. or immediately following conclusion of the EGM on Friday, 10 May 2024
“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) (中國證監會令第148號)
“Articles of Association”	the Articles of Association of the Company
“Benchmark Enterprises”	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
“Board”	the board of Directors
“China Clearing”	China Securities Depository and Clearing Corporation Limited
“Class Meetings”	the A Shares Class Meeting and H Shares Class Meeting
“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

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## DEFINITIONS

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“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
“COSCO SHIPPING Corporation”	China COSCO Shipping Corporation Ltd.* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Group”	COSCO SHIPPING Corporation and its subsidiaries (excluding the Group)
“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
“EGM”	the extraordinary general meeting of the Company to be held at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC at 10 a.m. on Friday, 10 May 2024
“Exercise”	a Participant 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
“Group”	the Company and its subsidiaries
“H Shareholders”	holders of H Shares
“H Shares”	overseas listed foreign shares of nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Hong Kong Stock Exchange (Stock Code: 1138)
“H Shares Class Meeting”	the class meeting for H Shareholders to be held at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC at 10 a.m. or immediately following conclusion of the EGM and the A Shares Class Meeting on Friday, 10 May 2024
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Latest Practicable Date”	19 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Participant(s)”	person(s) eligible to be granted Share Options under the Scheme
“PRC”	People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Grant”	proposed grant of a total of up to 28,081,900 Share Options to the Participants under the Scheme
“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, as set out in the Scheme Announcement
“Scheme Announcement”	the announcement of the Company dated 26 October 2023 in relation to, among other things, the proposed adoption of the Scheme
“Securities Law”	the Securities Law of the PRC
“Share(s)”	A Share(s) and/or H Share(s)

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## DEFINITIONS

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“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 under the Scheme
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Meetings”	the EGM and the Class Meetings
“Supervisory Committee”	the supervisory committee of the Company
“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))

\* For identification purposes only

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**EXPECTED TIMETABLE**

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Date of despatch of this circular . . . . . Tuesday, 23 April 2024

Latest time for lodging forms of proxy for the Shareholders' Meetings . . . . . 10 a.m. on  
Thursday, 9 May 2024

Time and date of the Shareholders' Meetings . . . . . 10 a.m. on  
Friday, 10 May 2024



**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)**

*Executive Directors:*

Ren Yongqiang (*Chairman*)  
Zhu Maijin

*Non-Executive Directors:*

Wang Wei  
Wang Songwen

*Independent Non-Executive Directors:*

Victor Huang  
Li Runsheng  
Zhao Jinsong  
Wang Zuwen

*Registered Office:*

Room A-1015  
No. 188 Ye Sheng Road  
China (Shanghai) Pilot Free Trade Zone  
PRC

*Principal place of business in the PRC:*

7th Floor, 670 Dongdaming Road  
Hongkou District, Shanghai, PRC

*Principal place of business in Hong Kong:*

RMS 3601-3602  
36/F West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

23 April 2024

*To the Shareholders*

Dear Sir/Madam,

- (1) PROPOSED ADOPTION OF THE 2023 SHARE OPTION INCENTIVE SCHEME AND THE PROPOSED GRANT**  
**(2) PROPOSED AUTHORISATION TO THE BOARD TO DEAL WITH MATTERS RELATED TO THE 2023 SHARE OPTION INCENTIVE SCHEME**  
**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING AND**  
**(4) NOTICE OF H SHARES CLASS MEETING**

**I. INTRODUCTION**

Reference is made to the Scheme Announcement of the Company dated 26 October 2023 in relation to the proposed adoption of the Scheme.

\* *For identification purposes only*



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## LETTER FROM THE BOARD

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The purpose of this section of this circular is to provide you with information regarding the proposed adoption of the Scheme and the Proposed Grant, in order to seek your approval of the special resolutions in relation to the aforesaid matters to be proposed at the EGM and the H Shares Class Meeting.

### II. PROPOSED ADOPTION OF THE SCHEME AND THE PROPOSED GRANT

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.

On 26 October 2023, the Board passed resolutions in relation to the proposed adoption of the Scheme and the Proposed Grant and resolved that it will be proposed at the Shareholders' Meetings for the Shareholders to consider, and if thought fit, to approve the adoption of the Scheme and the Proposed Grant by way of special resolutions.

To avoid any conflict of interest, the executive Directors who are proposed grantees under the Initial Grant (being Mr. Ren Yongqiang and Mr. Zhu Maijin) (i) have abstained from voting on the resolutions to the proposed adoption of the Scheme and the Proposed Grant at the Board meeting on 26 October 2023; (ii) will abstain from voting on any resolutions in relation to any matters relating to the Scheme in the future; and (iii) will not participate in the management and administration of the Scheme.

The Company has obtained an approval in respect of the Scheme from the SASAC on 26 March 2024. The Scheme shall become effective upon consideration and approval at the Shareholders' Meetings.

The summary of the principal terms of the Scheme is set out in Appendix I to this circular. A copy of the Scheme will be published on the websites of the Hong Kong Stock Exchange and the Company for display for a period of not less than 14 days before the date of the EGM and will be available for inspection at the EGM.

According to the terms of the Scheme, the Participants, all of whom will be employee participants as defined in Rule 17.03A(1)(a) of the Listing Rules, shall exercise the corresponding Share Options within the relevant exercise period upon the expiration of the Vesting Period (up to 24, 36 and 48 months respectively from the Date of Grant) and subject to the satisfaction of certain performance appraisal conditions. In addition, the method of determining the Exercise Price of the Share Options is presented in

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## LETTER FROM THE BOARD

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the summary of principal terms of the Scheme. By setting the Vesting Period, the exercise period, the performance appraisal conditions and the Exercise Price, the Participants, as employee participants, will be required to continue to take office in the Company, endeavor to achieve these standards, and strive for continuous improvement in the Company's performance and all aspects so as to reap the benefits brought about by the Shares upon exercise of the Share Options. In addition, a Participant will also become one of the Shareholders upon exercise of the Share Options granted whereby the Participants will be motivated to contribute to the success of the Company and in turn retain outstanding talents for the Company. In addition, the Scheme also has a clawback mechanism to guard against potential severe misfeasance of the Participants. Therefore, such terms and conditions are in line with and capable of achieving the purpose of the Scheme as mentioned above.

### **1. Source of Shares under the Scheme and number of Share Options proposed to be granted 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 new A Shares (being ordinary shares) to be issued and placed to the Participants by the Company.

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, assigned, or used as guarantee or repayment of debts.

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 issued share capital of the Company of 4,770,776,395 Shares as at the Latest Practicable Date, 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' Meetings 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 Latest Practicable Date, 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 Latest Practicable Date, 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 the Scheme within its validity period is 28,081,900 A Shares, representing approximately 0.589% of the total issued share capital of the Company as at the time the Scheme is submitted to the Shareholders' Meetings 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' Meetings for approval.

The Participants under the Scheme include the existing Directors, senior management and the essential management and technical caliber of the Group who have direct impact on the operating performance and sustainable development of the Company. The supervisors,

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## LETTER FROM THE BOARD

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independent Directors, non-executive 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 headquarters and subsidiaries, including: department officers at the headquarters and management of higher ranking, senior management of subsidiaries, and selected office managers within the departments at the headquarters and department manager of subsidiaries. Department officers and personnel with lower ranking at the headquarters retiring before 31 December 2024 and senior management and personnel with lower ranking of subsidiaries retiring before 31 December 2024 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 the Scheme 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 Company will publish the relevant announcement as soon as possible upon the grant of Reserved Options in accordance with Rule 17.06A of the Listing Rules.

The details of the Proposed Grant under the Scheme, including the information on the Participants, the number of A Shares and Exercise Price in relation to the Share Options proposed to be granted to the Participants, are set out in Appendix I to this circular.

Based on the terms and conditions of the Scheme, the total number of Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including both exercised and outstanding options) in any 12-month period would not exceed 1% of the total share capital and 1% of the total number of the A Shares of the Company from time to time.

## 2. Schedule of 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) *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.

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## LETTER FROM THE BOARD

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### (3) *Exercise Date*

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 period (as defined hereinafter), 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:

<b>Exercise Period ("Exercise Period")</b>	<b>Exercise Time</b>	<b>Exercise Proportion</b>
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 exercised from options granted to the relevant Participant under each Exercise Period shall not be sold 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.

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## LETTER FROM THE BOARD

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### 3. Administrative and appraisal measures of the Scheme

The Scheme shall be implemented in accordance with the Administrative Measures as set out in Appendix II to this circular.

According to the Scheme, the Exercise of Share Options by Participants shall be conditional upon the Participants having passed the appraisal implemented pursuant to the administrative measures for the implementation and appraisal of the share option incentive scheme of the Company as set out in Appendix III to this circular.

### 4. Conditions for the Scheme to take effect

The Company has obtained an approval in respect of the Scheme from the SASAC on 26 March 2024. The Scheme shall become effective upon consideration and approval at the Shareholders' Meetings. The grant and Exercise of Share Options shall become valid upon fulfillment of the conditions as stipulated under the Scheme.

For details of the conditions of grant and conditions of Exercise of the Share Options, please refer to the paragraph headed "G. Conditions of Grant and Effectiveness under the Scheme" in Appendix I to this circular.

### 5. Fair value and determination of 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:

<b>Valuation factors</b>	<b>Value of factors</b>	<b>Brief description</b>
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

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<b>Valuation factors</b>	<b>Value of factors</b>	<b>Brief description</b>
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.

### III. PROPOSED AUTHORISATION TO THE BOARD TO DEAL WITH MATTERS RELATED TO THE SCHEME

To ensure an effective implementation and execution of the Scheme, in accordance with the relevant requirements of the Company Law, the Securities Law, the Articles of Association, the Administrative Measures, the Board will propose at the Shareholders' Meetings to authorise the Board to be responsible for the implementation and management of the Scheme, the specific authorisations include but not limited to:

1. authorise the Board to determine the Date of Grant of the Scheme;
2. authorise the Board to grant the Share Options to the Participants when the Company and the Participants meet the Conditions of Grant, and deal with all matters required for the grant of the Share Options, including but not limited to applying to the stock exchange for the grant and applying to the registration and clearing company in relation to registration and clearing matters, etc.;
3. authorise the Board to make adjustment to the number of and the Exercise Price of the Share Options in accordance with the requirements of the Scheme upon the occurrence of circumstances such as capitalization issue, share subdivision or share consolidation and rights issue specified in the Scheme;
4. authorise the Board to review and confirm if the Company and the Participants are in compliance with the Conditions of Exercise, and to deal with all matters required for the exercise of the Share Options by the Participants, including but not limited to making application to the stock exchange for the Exercise, making application to the registration and clearing company in relation to registration and settlement business, amending the Articles of Association, and registering the change in registered capital of the Company, etc.;
5. authorise the Board to deal with the Share Options granted to the Participants which are effected or not effected, exercised or not exercised, in accordance with the requirements of

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## LETTER FROM THE BOARD

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the Scheme, upon the occurrence of special occasions such as the change in control, merger or spin-off of the Company or the change in office, termination of employment, retirement or death of the Participants;

6. authorise the Board to implement the change in and termination of the Scheme, including but not limited to the disqualification of the eligibility of Exercise of the Participants, cancellation of the Share Options of the Participants not yet exercised, dealing of the succession matters related to the Share Options of deceased Participants not yet exercised, termination of the Scheme; authorise the Board to determine if the gains from the Exercise by the Participants shall be recovered in accordance with the requirements of the Scheme;
7. authorise the Board to execute, implement, amend and terminate any agreement related to the Scheme;
8. authorise the Board to make other necessary administration and adjustment to the Scheme, and under the conditions consistent to the terms of the Scheme, formulate or amend the requirements of the administration, appraisal and implementation of the Scheme;
9. propose at the Shareholders' Meetings to approve that the duration of authorisation to the Board shall be the Validity Period of the Scheme;
10. the Board can delegate to the remuneration and appraisal committee under the Board of authority to deal with certain related matters for the Share Options depending on circumstances, the Board delegates to the remuneration and appraisal committee of the task related to the appraisal of the Participants, and determination on disposal of the Share Options of the Participants upon the occurrence of special circumstances to them;
11. authorise the Board the authority to make allocation and adjustment to the total quota of the Share Options incentive between each Participant before the grant of interests in accordance with pre-determined methods and procedures;
12. authorise the Board to make adjustment to the related content of the Scheme pursuant to any amendment in the laws and regulations such as the Company Law, the Securities Law, the Trial Measures, the Administrative Measures;
13. authorise the Board and the person delegated by the Board to engage intermediaries such as receiving bank, accountant and lawyer for the implementation of the Scheme;
14. authorise the Board to implement other necessary matter required by the Scheme, other than rights expressly required in related documents to be exercised by the Shareholders' Meetings.

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## LETTER FROM THE BOARD

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### IV. IMPLICATIONS UNDER LISTING RULES

The Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules. Therefore, pursuant to Rule 14A.92(3)(a) of the Listing Rules, the grant of the Share Options to any Participants who are connected persons of the Company under the Scheme is fully exempted from reporting, announcement and independent Shareholders' approval requirement.

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 (i.e. 26 October 2023) immediately preceding the date of the A Share Announcement, 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 the Scheme 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, 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.

According to Rule 17.03(13) of the Listing Rules, a scheme document must include a provision for adjustment of the exercise price and/or the number of shares subject to options or awards granted under the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital. In addition to the events of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital, the exercise price of the Share Options shall also be adjusted in the event of distribution of dividend under the Scheme (the "**Adjustment for Dividend Distribution**"). For details of the determination of the exercise price under the Scheme, please refer to the paragraph headed "2. Method of adjustment to the Exercise Price of the Share Options" under the section headed "I. Method and Procedures of Adjustment to the Number and Exercise Price of the Share Options" in Appendix I to this circular.



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## LETTER FROM THE BOARD

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According to the requirements of Rule 17.03E of the Listing Rules, the Exercise Price shall be at least the higher of the followings: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the Date of Grant.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 17.03(13) and 17.03E of the Listing Rules, on the following grounds:

### **Rule 17.03(13) of the Listing Rules**

- (i) as confirmed by the Company's PRC legal advisers, the proposed terms of the Scheme, including the provision of Adjustment for Dividend Distribution are prepared in accordance with the relevant laws and regulations of the PRC, including, the Administrative Measures promulgated by the CSRC;
- (ii) it is in line with market practice whereby it is customary for provisions of Adjustment for Dividend Distribution to be included in share option schemes involving A Shares;
- (iii) the number of Share Options proposed to be granted under the Scheme is 28,081,900 and the total number of Shares to be issued under the Scheme is 28,081,900 A Shares, representing approximately 0.589% of the total issued share capital and approximately 0.808% of the total issued A Shares of the Company as of the Latest Practicable Date. The dilutive effect of the Scheme is minimal; and
- (iv) the proposed adoption of the Scheme will be subject to the approval of the Shareholders at the EGM and the Class Meetings. The Company is of the view that the Shareholders, including both the holders of the A Shares and H Shares, will all have the opportunity to fully consider and evaluate the principal terms of the Scheme, including the provisions of Adjustment for Dividend Distribution.

### **Rule 17.03E of the Listing Rules**

- (i) the Share Options to be granted under the Scheme involve A Shares only;
- (ii) as confirmed by the Company's PRC legal advisers, the determination of the Exercise Price of the Share Options is required by and in accordance with the relevant laws and regulations of the PRC, in particular, the Administrative Measures promulgated by the CSRC;
- (iii) the Exercise Price of the Share Options will reflect the prevailing market price of the A Shares at the time the terms of the Initial Grant or the Reserved Grant (as applicable) are fixed pursuant to the relevant Board resolutions, which is generally in line with the rationale behind Rule 17.03E of the Listing Rules;
- (iv) the Scheme, which includes the determination of the Exercise Price, is subject to the approval by the Shareholders at the EGM and the Class Meetings, whereby the H Shareholders will have the opportunity to fully consider and evaluate the terms of the Scheme based on its merits and the interest of the H Shareholders will not be prejudiced; and

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## LETTER FROM THE BOARD

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- (v) a summary of the Scheme, which includes the determination of the Exercise Price, is set out in the Scheme Announcement and this circular, with the full text of the Scheme available on public display for not less than 14 days before the EGM and the Class Meetings and available for inspection at the EGM and the Class Meetings, which would provide the H Shareholders and potential investors on H Shares with sufficient information to make a relevant assessment of the Company in their investment decision making process. The details of any subsequent grant of the Share Options, the Exercise Price and other principal terms will be disclosed by way of announcement(s) in accordance to the Listing Rules.

Therefore, it would be unduly onerous for the Company to comply with Rule 17.03E of the Listing Rules given the circumstances as it is required to determine the Exercise Price of the options as set out above pursuant to the CSRC requirements, and that the waiver will not prejudice the interest of the investing public based on the reasons above.

For details of the determination of the Exercise Price under the Scheme, please refer to the paragraph headed “E. Exercise Price of the Share Options and Basis of Determination” in Appendix I to this circular.

No Director is and will be the trustee of the Scheme, and no Director has any direct or indirect interest in the trustee(s). 2023 Share Option Incentive Scheme intends to adopt an independent exercise mechanism, involving two institutions: (i) a broker, and (ii) China Clearing. An overview of the mechanism is as follows:

<b>Time</b>	<b>Event</b>
T (reporting date)	Within the exercise period of the Scheme and with sufficient funds in the broker’s account, a Participant may report to exercise the Share Options on the broker’s system. According to the instructions of the Participant, the broker shall submit the reporting data concerning the exercise of share options of the Participant to China Clearing, and China Clearing shall perform clearing process on the reporting data.
T+1 (settlement date)	China Clearing shall withdraw the funds in relation to the exercise of Share Options from the account opened by the Participant with the broker, and perform settlement and registration of the new A Shares.
T+2 (listing date)	China Clearing shall transfer the successfully settled funds in relation to the exercise of Share Options to the Company’s collection account of the exercise funds. The new A Shares after successful settlement are listed and traded on the Shanghai Stock Exchange on the same day. The Participant may sell the new A Shares added to the stock account on market or keep them in the stock account. Such shares from the Scheme are the same as other issued A Shares of the Company (being ordinary shares).

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## LETTER FROM THE BOARD

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The above timing of exercise and disposal will be subject to compliance with the Listing Rules and the listing rules of the Shanghai Stock Exchange.

The broker and China Clearing are third parties independent of the Company and its connected persons as defined under the Listing Rules. As the unvested A Shares of the Scheme will be granted to the Participant on the second business day after the reporting day (i.e. T+2), voting arrangement by the broker and China Clearing is not applicable.

The Company has also convened a Board meeting and a Supervisory Committee meeting on 27 November 2023 which considered and approved the cancellation of all share options granted but not exercised under the 2018 Share Option Incentive Scheme. Accordingly, upon the cancellation of the share options, all share options granted under the 2018 Share Option Incentive Scheme have been fully exercised or cancelled. The Company does not have any other share incentive scheme with outstanding share options and/or awards.

### **V. RECOMMENDATION**

The Directors, including the independent non-executive Directors, believe that the adoption of the Scheme and the Proposed Grant is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend all Shareholders to vote in favour of the relevant resolutions as set out in the notices of the EGM and H Shares Class Meeting.

### **VI. RESPONSIBILITY STATEMENT**

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### **VII. DOCUMENTS ON DISPLAY**

A copy of the Scheme is available on display at the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://energy.coscoshipping.com>) from the date hereof up to and including 10 May 2024, being the date of the Shareholders' Meetings, and is available for inspection at the Shareholders' Meetings.

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## LETTER FROM THE BOARD

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### VIII. EGM AND H SHARES CLASS MEETING

Resolutions in relation to, among other things, the adoption of the Scheme and Proposed Grant will be considered by Shareholders at the Shareholders' Meetings.

A notice convening the EGM to be held at 10 a.m. on Friday, 10 May 2024 at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC is set out on pages EGM-1 to EGM-2 of this circular. A notice convening the H Shares Class Meeting to be held at 10 a.m. (in the order of the EGM, A Shares Class Meeting and H Shares Class Meeting) on Friday, 10 May 2024 at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC is set out on pages HCM-1 to HCM-2 of this circular.

Whether or not you are able to attend the above meetings, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of such meetings or any adjournment thereof (i) in case of H Shareholders, to the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (ii) in case of A Shareholders, to the Office of the Board of Directors of the Company at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC. Completion and return of the form of proxy will not preclude you from attending and voting in person at the above meetings or at any adjournment thereof should you so wish.

#### **Solicitation of voting rights on the special resolutions in respect of the Scheme**

Pursuant to the Administrative Measures, the independent non-executive director of a company listed on the Shanghai Stock Exchange shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participate in shareholders' meetings, so as to encourage them to vote on the resolutions in respect of the adoption of a share incentive scheme.

As the A Shares of the Company are listed on the Shanghai Stock Exchange, pursuant to the Administrative Measures, the independent non-executive Directors have nominated Mr. Victor Huang, an independent non-executive Director as a caller on their behalf to solicit votes from the Shareholders on the special resolutions regarding the Scheme at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting. Pursuant to the Administrative Measures, Mr. Victor Huang will solicit votes from the Shareholders on the proposed resolutions relating to adoption of the Scheme and related matters. Mr. Victor Huang has prepared two Independent Non-executive Director's Proxy Forms (the "**Independent Non-executive Director's Proxy Forms**") for each of the EGM and the H Shareholders' Class Meeting.

You may appoint Mr. Victor Huang as your proxy by filling in the Independent Non-executive Director's Proxy Forms to vote on the resolutions relating to the Schemes on your behalf. Alternatively, you may simply appoint your own proxy by filling in the usual proxy forms to vote for you on all the resolutions (including those relating to the Scheme). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and the H Shareholders' Class Meeting or any adjournment thereof should you so wish. Relevant proxy forms for the EGM and the H Shareholders' Class Meeting have been published on the website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<https://energy.coscoshipping.com>).

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## LETTER FROM THE BOARD

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Please note that Mr. Victor Huang, an independent non-executive Director, has sent the Independent Non-executive Director's Proxy Forms in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the special resolutions in respect of the Scheme and its related matters at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting. Should you wish to appoint Mr. Victor Huang as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions regarding the Scheme and its related matters, please complete, sign and return the Independent Non-executive Director's Proxy Forms to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding of the EGM and/or H Shareholders' Class Meeting or any adjournment thereof. Alternatively, if you wish to appoint any person other than Mr. Victor Huang as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions regarding the Scheme and its related matters, you may simply disregard the Independent Non-executive Director's Proxy Forms and complete and return the form of proxy instead.

Please note that if you have completed and returned both the form of proxy and the Independent Non-executive Director's Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the form of proxy and the Independent Non-executive Director's Proxy Form, your voting instructions given in the last form of proxy or the Independent Non-executive Director's Proxy Form duly signed by you (whichever is later) will be counted as your vote for or against the resolutions or abstain from voting on the resolutions concerned. If the signing time of such form of proxy or the Independent Non-executive Director's Proxy Form cannot be ascertained, the last form of proxy or the Independent Non-executive Director's Proxy Form duly received shall prevail.

In respect of the resolutions relating to the adoption of the Scheme, the Board confirms that save for the Participants to the extent they are also Shareholders, no Shareholder has material interest in the relevant resolutions and therefore, no Shareholder is required to abstain from voting for such resolutions. To the best knowledge of the Directors, 16 Participants are also Shareholders, holding in aggregate 951,430 A Shares, being approximately 0.02% of the total issued share capital of the Company as of the Latest Practicable Date. Further details in relation to the Shareholders that abstain from voting will be disclosed in the poll results announcement of the upcoming EGM, which is expected to be published on the websites of the Hong Kong Stock Exchange and the Company on 10 May 2024.

### **IX. CLOSURE OF REGISTER OF MEMBERS**

The H Share register of the Company will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024 (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company whose names appear on the Company's register of members at the close of business hours on Friday, 10 May 2024 are entitled to attend and vote at the EGM and the H Shares Class Meeting. In order to be entitled to attend and vote at the EGM and the H Shares Class Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's H share registrar, not later than 4:30 p.m. on Monday, 6 May 2024.

The address of Hong Kong Registrars Limited, the share registrar (for share transfer) for the Company's H Shares, is as follows:

Shops 1712-1716  
17th Floor Hopewell Centre  
183 Queen's Road East Wanchai  
Hong Kong

In accordance with the Listing Rules, the resolutions to be put forward at the EGM and the Class Meetings will be voted by way of poll.

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## LETTER FROM THE BOARD

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### X. GENERAL INFORMATION

Should there be any discrepancies between the Chinese and English versions of this circular, the Chinese version shall prevail.

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

The Company hereby announces the main content of the Scheme and the Proposed Grant thereunder 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 new A Shares (being ordinary shares) to be issued and 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 issued share capital of the Company of 4,770,776,395 Shares as at the Latest Practicable Date, 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' Meetings 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 Latest Practicable Date, 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 Latest Practicable Date, 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 the Scheme within its validity period is 28,081,900 A Shares, representing approximately 0.589% of the total issued share capital of the Company as at the time the Scheme is submitted to the Shareholders' Meetings 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' Meetings 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 of the Group who have direct impact on the operating performance and sustainable development of the Company. The supervisors, independent Directors, non-executive 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 headquarters and subsidiaries, including: department officers at the headquarters and management of higher ranking, senior management of subsidiaries, and selected office managers within the departments at the headquarters and department manager of subsidiaries. Department officers and personnel with lower ranking at the headquarters retiring before 31 December 2024 and senior management and personnel with lower ranking of subsidiaries retiring before 31 December 2024 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 the Scheme 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 Company will publish the relevant announcement as soon as possible upon the grant of Reserved Options in accordance with Rule 17.06A of the Listing Rules.



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

Names	Positions	Share Options granted <i>(ten thousands)</i>	Proportion to the total Share Options granted	Proportion to the total share capital of the Company as at the Latest Practicable Date
<b>I. Directors, Senior Management</b>				
Ren Yongqiang	Executive Director, Chairman, Secretary of Party Committee	28.32	1.008%	0.006%
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%
<b>Subtotal (7 persons)</b>		<b>152.80</b>	<b>5.441%</b>	<b>0.032%</b>
<b>II. Other Participants</b>				
Core management at the headquarters (71 persons)		1,410.97	50.245%	0.296%
Core management of subsidiaries (29 persons)		682.78	24.314%	0.143%
<b>Total Initial Grant (107 persons)</b>		<b>2,246.55</b>	<b>80.000%</b>	<b>0.471%</b>
Reserved quota		561.64	20.000%	0.118%
<b>Total</b>		<b>2,808.19</b>	<b>100.000%</b>	<b>0.589%</b>

*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 Latest Practicable Date. 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.

The proposed grant of the Share Options to the Directors (being Mr. Ren Yongqiang and Mr. Zhu Maijin) under the Initial Grant has been approved by independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules. The details of which are disclosed in the overseas regulatory announcement of the Company dated 26 October 2023. Each of the said Directors has abstained from voting at the relevant Board meeting in respect of the proposed grant of Share Options under the Initial Grant to him.

**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 the Scheme 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, 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. The Company expects that the Reserved Options will be granted on or before 31 December 2024.

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 period (as defined hereinafter), 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:

<b>Exercise Period ("Exercise Period")</b>	<b>Exercise Time</b>	<b>Exercise Proportion</b>
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 exercised from options granted to the relevant Participant under each Exercise Period shall not be sold 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 the 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 of the Company 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:  $EOE = \frac{EBITDA \text{ after extraordinary profit and loss for the period}}{[(\text{net assets attributable to shareholders of the listed company at the beginning of the period} + \text{net assets attributable to shareholders of the listed company at the end of the period}) \div 2] \times 100\%}$ .

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)
<b>EOE attributable to owners of the Company<sup>(1)</sup></b>	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
<b>Compound growth rate of the total profit compared to 2022<sup>(2)</sup></b>	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
<b>Economic value added (EVA)</b>	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  $\div$  [(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)  $\div$  2]  $\times$  100%. The corresponding period is the financial year ending 31 December 2024, 2025 and 2026 for the First Exercise Period, the Second Exercise Period and the Third Exercise Period, respectively.
2. Compound growth rate of the total profit is calculated with the total profit of the Company for the period compared with that of the Company for the financial year ended 31 December 2022. The corresponding period is the financial year ending 31 December 2024, 2025 and 2026 for the First Exercise Period, the Second Exercise Period and the Third Exercise Period, respectively.
3. If the performance targets fulfil the above targets simultaneously, the performance coefficient of the Company will be 100%, otherwise it will be 0.
4. 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.
5. 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.
6. 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:*

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

Number of individual actual effective Share Options = Number of individual expected effective Share Options for the period  $\times$  Performance coefficient of the Company  $\times$  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:

<b>Valuation factors</b>	<b>Value of factors</b>	<b>Brief description</b>
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

Valuation factors	Value of factors	Brief description
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, sub-division or consolidation and rights issue of Shares 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 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 and sub-division of Shares (i.e. the number of increased Shares per Share upon capitalisation issue or sub-division 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, sub-division or consolidation and rights issue of Shares 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 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 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. For the avoidance of doubt, no adjustments to the number or exercise price of the Share Options should be made to the advantage of the Participants without Shareholders' approval.

**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 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(s), 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 current Shareholders' Meetings, 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. In the event that the Board has resolved to amend the Scheme before the EGM, the Company will inform the Shareholders of the relevant proposed amendments in a timely manner and will despatch to the Shareholders a revised or supplemental circular not less than ten business days before the date of the Shareholders' Meetings.
- (2) If the Company amends the Scheme after it is approved at the current 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.

- (3) Any alterations to the terms and conditions of the Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Participants, or any change to the authority of the Directors or scheme administrators to alter the terms of the Scheme shall be approved by Shareholders in general meeting.
- (4) Any change to the terms of Share Options granted to a Participant shall be approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant was approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be), except where the alterations take effect automatically under the existing terms of the Scheme.
- (5) The amended terms of the Scheme or the Share Options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

## **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 a Participant 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, assigned, 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 COSCO SHIPPING Group or other companies within COSCO 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.

**Chapter 1 Management and Organization of the Share Option Incentive Scheme****Article 1** Management and Organization for the Share Option Incentive Scheme

The management organizations for the Share Option Incentive Scheme of the Company include the Shareholders' Meeting, the Board, the Remuneration and Appraisal Committee of the Board; the executive departments for the related matters of the Share Option Incentive Scheme include the Office of the Board, the Finance Division, the Human Resources Division, and the Legal Affairs and Risk Management Division.

**Article 2** Management departments for the Share Option Incentive Scheme

The management departments for the implementation of the Share Option Incentive Scheme mainly include the Shareholders' Meeting, the Board, and the Remuneration and Appraisal Committee of the Board, and their main responsibilities are as follows:

- (I) as the highest authority of the Company, the Shareholders' Meeting is responsible for the consideration and approval of the implementation, change and termination of the Share Option Incentive Scheme;
- (II) the Board is the executive and management department for the Share Option Incentive Scheme. It is responsible for reviewing the Share Option Incentive Scheme proposed and revised by the Remuneration and Appraisal Committee of the Board, and submitting the Share Option Incentive Scheme to the Shareholders' Meeting for approval; according to the authority of the Shareholders' Meeting, responsible for the review of the grant proposals of share options for each period, and the review and determination of the grant date of share options for each period; responsible for the grant of share options to the participants who fulfil the conditions of grant and review the effectiveness and exercise of share options for each period according to the effective arrangement and performance conditions; responsible for the review of the adjustment proposal of the exercise price and number of the share options granted; responsible for the review of other necessary matters for implement of the Share Option Incentive Scheme;
- (III) the Remuneration and Appraisal Committee of the Board is responsible for the formulation of the Share Option Incentive Scheme and the grant proposals for each period, the consideration of the effective conditions of share option granted in each period, the formulation and revision of administrative measures for the implementation and appraisal of the Share Option Incentive Scheme and administrative measures for the Share Option Incentive Scheme.

**Article 3** Executive departments for the Share Option Incentive Scheme

The executive departments for the Share Option Incentive Scheme include the Office of the Board, the Finance Division, the Human Resources Division, and the Legal Affairs and Risk Management Division, and their main responsibilities are as follows:

- (I) Office of the Board is:
  - 1. responsible for the communication and exchange of the implementation of the Share Option Incentive Scheme with the capital markets, shareholders and media;

2. responsible for the reporting of the implementation of the Share Option Incentive Scheme to securities regulatory authority, and drafting the information disclosure document according to the relevant regulatory requirements;
3. responsible for making recommendation on the grant date of the Share Option to the Board, and calculating the exercise price of the Share Option according to the grant date confirmed by the Board resolution;
4. responsible for the formulation of the adjustment proposal for the exercise price and number of Share Options granted according to the Share Option Incentive Scheme;
5. responsible for the regular reporting of the implementation of the Share Option Incentive Scheme to the Remuneration and Appraisal Committee of the Board;
6. responsible for organizing and convening the meeting of the Remuneration and Appraisal Committee of the Board, the meeting of Board and the Shareholders' Meeting to consider the Share Option Incentive Scheme and each period of grant proposal and the relevant resolutions;
7. assisting the Human Resources Division to organize the daily communication and consultation of the Participants who are Directors and senior management.

(II) Finance Division is:

1. responsible for calculating the actual achievement of the annual performance indicators of the Company, counting the actual achievement of the annual performance indicators of the benchmark enterprises, analyzing and judging the fulfilment of the performance conditions for the grant and performance conditions for effectiveness, and submitting to the Human Resources Division;
2. responsible for the valuation of the Share Options granted and the relevant accounting treatment in the periodic reports of the listed company in respect of each phase of grant;
3. assisting the Human Resources Division in verifying the gains arising from the exercise of the Share Options of the Participants;
4. responsible for the relevant accounting treatment of the gains arising from the exercise of the Share Options.

(III) Human Resources Division is:

1. responsible for the daily management of the Share Option Incentive Scheme, organizing and implementing the grant and exercise of the Share Options;
2. responsible for the formulation of the Share Option Incentive Scheme and the proposal of each period of grant, and formulating key elements such as the scope of grant, the number of grant, the effectiveness arrangement, the performance conditions of grant and the performance conditions for effectiveness, etc.;

3. responsible for reviewing the eligibility of grant to the Participants, effective eligibility and effective number, and organizing the signing of the document of grant;
4. responsible for consolidating the annual comprehensive appraisal and assessment results of individual Participant;
5. responsible for the calculation and verification of the number of the Share Options granted to the Participants in each phase that have become effective and that have lapsed, and notifying the Participants the number of Share Options that have become effective and that have lapsed;
6. responsible for the organization of the Exercise of the Participants;
7. responsible for the verification of number of Exercise and number of effectiveness;
8. responsible for the account management of the Share Option Incentive Scheme, and recording and calculating the grant, effectiveness, change, lapse and Exercise of the Share Options;
9. responsible for record management such as keeping all documents and files related to the Share Option Incentive Scheme. Daily management and maintenance of the Share Option Incentive Scheme including the drafting of the relevant documents of the Share Option Incentive Scheme and grant proposals, and the keeping of the relevant documents and files, etc.;
10. responsible for the reporting of the implementation of the Share Option Incentive Scheme to the General Manager Office Meeting;
11. responsible for communicating and reporting to the COSCO SHIPPING Corporation on the Share Option Incentive Scheme and the effectiveness and exercise under each phase of grant;
12. responsible for the withholding and payment of the individual income tax of the Participants;
13. organizing and answering the daily communication and consultation of the Participants.

(IV) Legal Affairs and Risk Management Division

Responsible for the explanation and consultation of the legal issues related to the Share Option Incentive Scheme, and reviewing, preserving and managing the relevant legal documents.



**Chapter 2 Implementation Procedures for the Share Option Incentive Scheme****Article 4** Formulation and approval procedures for the Share Option Incentive Scheme

- (I) The Remuneration and Appraisal is responsible for the organization and formulation of the Share Option Incentive Scheme (draft), and carrying out communication with COSCO SHIPPING Corporation in relation to the Share Option Incentive Scheme (draft). With no disagreement expressed by COSCO SHIPPING Corporation, the Share Option Incentive Scheme (draft) can be submitted to the Board for consideration;
- (II) the Board shall consider and approve the Share Option Incentive Scheme (draft), and any Director who is also a Participant or is a related party to a Participant should abstain from voting;
- (III) the independent Directors and the Supervisory Committee shall issue opinions in respect of whether the Share Option Incentive Scheme (draft) is beneficial to the sustainable development of the Company and whether there is any situation which would noticeably prejudice the interests of the Company and the Shareholders as a whole;
- (IV) the Supervisory Committee will verify the list of Participants with Share Options granted (including participants, qualifications and number of grant);
- (V) the Company shall engage a law firm to issue legal opinions on the Share Option Incentive Scheme (draft);
- (VI) within 2 trading days after the consideration and approval of the Share Option Incentive Scheme by the Board, the Board resolution, the draft of the Share Option Incentive Scheme and summary, opinions of the independent Directors, opinions of the Supervisory Committee and legal opinions shall be announced and submitted to the stock exchange;
- (VII) upon the review and approval of the Share Option Incentive Scheme by the Stated-owned asset institution and/or authorized units, the Company shall issue the notice of convening the Shareholders' Meeting;
- (VIII) before convening the Shareholders' Meeting, the Company shall internally announce the names and offices of the Participants by way of corporate website or other means for not less than 10 days. The Supervisory Committee shall review the list of the Participants and consider public opinions sufficiently, and shall disclose the explanation of the Supervisory Committee regarding the review of the list of the Participants and the status of announcement in 5 days prior to the consideration of the Share Option Incentive Scheme at the Shareholders' Meeting of the Company. The list of the Participants adjusted by the Board of the Company shall also be verified by the Supervisory Committee of the Company;
- (IX) the Company shall conduct a self-examination on the trading of the Company's shares and their derivatives by persons having knowledge of the insider information within 6 months before the publication of the draft Share Option Incentive Scheme, indicating if any insider trading exists. If anyone who trades in the Company's shares with knowledge of insider information, he/she shall not become the Participant, except for cases that are not insider trading under the laws, administrative regulations and relevant judicial interpretations. If anyone divulges inside information to cause insider trading, he/she shall not become the Participant;

- (X) when the Shareholders' Meeting of the Company is convened to vote on the Share Option Incentive Scheme, an alternative to vote on the internet shall be provided simultaneously when vote in person is provided. The independent Directors shall solicit proxy voting rights from all shareholders regarding the relevant resolutions relating to the Share Option Incentive Scheme;
- (XI) the Share Option Incentive Scheme shall be considered at the Shareholders' Meeting and approved by more than 2/3 of the voting rights held by the attending shareholders. Any shareholder who is also a participant or is a related party to a participant shall abstain from voting. Except for the Directors, Supervisors and senior management, as well as the shareholders individually or collectively holding more than 5% of the listed company's Shares, the voting by other shareholders shall be separately counted and disclosed. The Supervisory Committee shall explain the verification of the list of the Participants at the Shareholders' Meeting;
- (XII) upon the approval of the Share Option Incentive Scheme at the Shareholders' Meeting, the Share Option Incentive Scheme can be implemented. The Board will specifically handle the grant, Exercise and cancellation of the Share Options according to the authorization given at the Shareholders' Meeting.

**Article 5** The procedures of grant of the Share Options

- (I) The Remuneration and Appraisal Committee formulates the proposal of grant of the Share Option Incentive Scheme;
- (II) the Board considers and approves the proposal of grant of the Share Options, and determines the Date of Grant according to the Share Option Incentive Scheme, and the Date of Grant must be a trading day;
- (III) 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;
- (IV) the Supervisory Committee will verify whether the Date of Grant and the list of the Participants are consistent with the scope of incentives specified in the Incentive Scheme approved by the Shareholders' Meeting and express opinions;
- (V) the Board of the Company shall act under the authorization 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;
- (VI) 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 registration and clearing and transfer matters. The Board of the Company shall make the relevant information disclosure for the grant, and shall report the grant through COSCO SHIPPING Corporation to the SASAC for filing;

(VII) 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.

**Article 6** Process of becoming effective and lapsed

- (I) In each effective year, the Finance Division will analyze and judge the fulfillment of performance conditions for the effectiveness of each phase of Share Options based on the actual annual performance indicators of the Company and the benchmark enterprises;
- (II) the Human Resources Division shall consolidate the individual annual comprehensive appraisal and assessment results of all Participants;
- (III) the Human Resources Department shall, according to the effective arrangement of each phase of Share Options, the performance conditions for effectiveness and actual achievement of performance indicators and the individual annual comprehensive appraisal and assessment results of the Participants, verify the number of effective and lapsed Share Options of each phase, and submit to the Remuneration and Appraisal Committee for review;
- (IV) the Remuneration and Appraisal Committee shall consider and approve the number of effective and lapsed Share Options of each phase;
- (V) the Board shall consider and determine the number of effective and lapsed Share Options of each phase;
- (VI) the Human Resources Division shall conduct account management on the number of effective and lapsed Share Options;
- (VII) the Human Resources Division shall inform the Participants of the number of effective and lapsed Share Options;
- (VIII) the office of Board shall disclose the information on the effectiveness or lapse of the Share Options.

**Article 7** Procedures for the Exercise of the Share Options

- (I) The Participants shall submit the “Application of Exercise of the Share Options” to apply for the exercise, and confirm the number of Share Options of each phase to be exercised;
- (II) The Remuneration and Appraisal Committee will review and confirm if the conditions of the application of Exercise by the Participants have been fulfilled. Independent Directors, the Supervisory Committee and law firm shall express specific opinions on whether the conditions for the Participants to exercise interests have been fulfilled;
- (III) 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 shares 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;

- (IV) Upon the Exercise of the Participants, if it involves any change of registered capital, the Company is required to perform registration procedures with the industrial and commercial registration authority for change in company affairs;
- (V) The Human Resources Division shall comply with the requirements of the SASAC of the State Council and file with the SASAC of the State Council for the Exercise of Share Options of each phase.

Subject to the actual conditions, the Company can offer a collective or individual way of Exercise to the Participants.

### **Chapter 3 Liability Recourse and Handling of Special Occasions**

#### **Article 8 Handling of special occasions of the Company**

- (I) Upon the occurrence of any of the following to the Company, the implementation of the Share Option Incentive Scheme shall be terminated, and the Share Options of the Participants approved to be exercised but not yet exercised shall cease to be exercised, and the Share Options not yet approved to be exercised shall be cancelled:
1. 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;
  2. 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;
  3. 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;
  4. circumstances under which share option incentive is prohibited to be implemented under the applicable laws and regulations;
  5. circumstances under which share option incentive is prohibited to be implemented by the CSRC;
  6. the regulatory authorities or department of the State-owned assets institution, the Supervisory Committee or audit department have raised significant disagreement towards the performance or the annual financial and accounting report of the Company;
  7. such other circumstances under which share option incentive is prohibited to be implemented by the Shanghai Stock Exchange.

(II) 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 authorize the Board to determine whether to continue, amend, suspend or terminate the Share Option Incentive 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:

1. change of control of the Company;
2. situations such as the merger or spin-off of the Company.

**Article 9** Handling of special occasions of the Participants individually

(I) 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 has the right to recover the stock option incentive gain received subject to the severity of the event:

1. the results of the economic responsibility audit indicate that there is ineffective performance of duties or serious breach of duty or malfeasance acts;
2. violation of the national laws and regulations and Articles of Association;
3. the Company has sufficient evidence to prove that during the term of employment, Participant has been involved in bribery, corruption, theft, divulging of commercial and technical secrets of the Company, entering of connected transactions which impair the interest and reputation of the Company, and any other illegal act which has material adverse effect to the image of the Company, resulting in loss to the Company;
4. non-performance or incorrect performance of duty, resulting in a significant asset loss to the Company and other material adverse outcome.

(II) Upon the occurrence of the following and resulting in the loss of the eligibility to participate in the Share Option Incentive 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:

1. deemed as an inappropriate candidate by a stock exchange in the latest 12 months;
2. deemed as an inappropriate candidate by the CSRC and its derived agencies in the latest 12 months;
3. imposed by the CSRC and its derived agencies with administrative penalties or measures prohibiting accessing into the market in the latest 12 months by reasons of material violation of laws and regulations;
4. prohibited by the Company Law from acting as a director or senior management of the Company;

5. 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;
  6. 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;
  7. other circumstances as determined by the Board or the CSRC.
- (III) 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 the Participants shall complete the Exercise within 6 months after the date of the termination of employment, and the Share Options not yet approved to be exercised will lapse:
1. the Company proposes to terminate or dissolve the employment relationship with the Participant due to objective reasons;
  2. the Company proposes not to renew the employment contract when it expires;
  3. the Participant becomes incapacitated as a result of injuries sustained in the performance of his/her duties;
  4. 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;
  5. there is a change of job duties of the Participants to become independent Directors, supervisors 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.
- (IV) 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 the Participant 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, and other Share Options not yet approved to be exercised will lapse:
- (V) 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, and the Share Options not yet approved to be exercised will lapse:
1. where the Participant unilaterally resigns from his/her position during the term of employment contract;

2. where the Participant does not renew the employment contract with the Company upon its expiry;
  3. where the employment relationship of the Participant has been terminated, if 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, divulging of confidential information of the Company, breach of duty or malfeasance.
- (VI) Where the job duties of the Participants have been changed, but the Participants 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, and the Share Options granted remain unchanged and are exercisable as stipulated.
- (VII) Where the Participant is transferred to COSCO SHIPPING Group or other companies within COSCO SHIPPING Group as a result of organizational 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.
- (VIII) Other circumstances not stated and the handling method shall be determined by the Remuneration and Appraisal Committee of the Board.

**Article 10** Dispute or disagreement resolution mechanism

Any dispute between the Company and the Participants arising from the implementation of the Share Option Incentive Scheme or the relevant agreement entered into by the parties shall be resolved through negotiation, communication or mediation by the Remuneration and Appraisal Committee of the Board of the Company.

In case of failure to do so, either party is entitled to apply for arbitration at the Employment Dispute Arbitration Commission in the place where the Company or its subordinate operating units are located or file a lawsuit with the People's Court with jurisdiction.

**Chapter 4 Information Disclosure****Article 11** Information disclosure

The Company shall follow the relevant requirements of other laws, regulations and regulatory documents such as the Administrative Measures on Share Option Incentives of Listed Companies, to strictly fulfil the information disclosure obligation, including but not limited to a timely disclosure of the draft incentive scheme, the Board resolution, legal opinions, opinions from independent Directors, resolution of shareholders' meeting, specific circumstances for the grant of interests, administrative measures for the appraisal of Share Option Incentive Scheme, administrative measure for Share Option Incentive Scheme and disclosure of the specific implementation and performance appraisal in each annual report, etc.

## Chapter 5 Finance, Accounting and Tax Treatment

### Article 12 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 not be 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.

### Article 13 Method of amortization for the expenses of Share Options

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 Incentive 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.

### Article 14 Impact of the Incentive Scheme on the operating results of the Company

According to the relevant requirements of the accounting standards, such incentive costs will be amortised during the Vesting Period and effective period of the options. The incentive costs incurred under the Incentive Scheme will be itemized in recurring gains and losses.

### Article 15 Tax treatment

Any gain of the Participants from the Incentive Scheme is subject to individual income tax and other taxes according to the requirements of the national tax regulations. According to the requirements of the national tax regulations, the Company will withhold and pay the individual income tax and other taxes payable by the Participants.

## Chapter 6 Supervision and Management

### Article 16 Supervision and management

Upon the consideration and approval of the draft incentive scheme, the Board of the Company shall announce in accordance with the requirements of the securities supervision and administration authority,



and accept the supervision from public. The relevant implementation procedures and information disclosure shall comply with the relevant requirements of Administrative Measures on Share Option Incentives of Listed Companies of the CSRC.

### **Chapter 7 Procedures of Internal Control for the Share Option Incentive Scheme**

#### **Article 17** System and process control procedures

- (I) The Board is the final interpretation and examination organization of the Share Option Incentive Scheme;
- (II) specific units at different levels responsible for specific matters will be established by function. Important matters such as examination and qualification appraisal will be conducted by different departments and supervised by each other.

#### **Article 18** Control on implementation procedures

The validity and accuracy of the Scheme will be guaranteed by training, consultation and complaint systems of the Company.

### **Chapter 8 Supplementary Provision**

**Article 19** These Measures shall take effect from the date of approval at the Shareholders' Meeting and shall be interpreted and revised by the Board.

To ensure the successful implementation of the 2023 Share Option Incentive Scheme (“**2023 Share Option Incentive Scheme**”) of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter the “**Company**”), to further improve the corporate governance structure of the Company, to develop a fair and balanced value allocation system, to continuously motivate the middle to senior management and technical business backbone of the Company to focus on the long term development of the Company and strive for it cooperatively, and to drive for a stable growth of the results of the Company, and to ensure the implementation of the development strategies and operating targets of the Company, the Administrative Measures for the Implementation and Appraisal of the 2023 Share Option Incentive Scheme has been formulated in accordance with laws and regulations such as the Company Law of the People’s Republic of China, the relevant provisions of the Articles of Association of COSCO SHIPPING Energy Transportation Co., Ltd., coupled with the Company’s internal performance and appraisal management system.

#### **I. PURPOSE OF APPRAISAL**

Further improve the corporate governance structure of the Company, develop and improve the incentive restrictive system of the Company, ensure the successful implementation of the 2023 Share Option Incentive Scheme, and effect the share option incentive to its greatest extent, thereby ensuring the realization of the development strategies and operating targets of the Company.

#### **II. PRINCIPLE OF APPRAISAL**

The appraisal and assessment shall adhere to the principle of integrity, openness and fairness, and the assessment must be strictly carried out according to these Measures and the performance of the Participants, to implement an intertwinement between the 2023 Share Option Incentive Scheme and the professional performance and contribution of the Participants, thereby enhancing management performance and implementing the maximization of interests of the Company and the Shareholders as a whole.

#### **III. SCOPE OF APPRAISAL**

These Measures are applicable to all Participants who are involved in this incentive scheme of the Company, including the senior management, core management and business technical backbone.

#### **IV. DUTY AND AUTHORITY OF APPRAISAL BODY**

- (I) The Board of the Company is responsible for the formulation and revision of these Measures, and delegates the Remuneration and Appraisal Committee of the Board to be responsible for the appraisal task;
- (II) the Remuneration and Appraisal Committee of the Board of the Company is responsible for leading and reviewing the appraisal task;
- (III) the Remuneration and Appraisal Committee of the Board shall delegate to the Human Resources Division of the Company to be responsible for the specific appraisal task, and the Remuneration and Appraisal Committee of the Board shall provide guidance and supervision over the appraisal process;
- (IV) the Human Resources Division, Finance Division and other relevant business divisions of the Company shall be responsible for the collection and provision of the appraisal data, and shall be accountable for the genuineness and reliability of the data.

## V. TARGET AND CRITERIA OF PERFORMANCE APPRAISAL AND ASSESSMENT

## (I) Performance Conditions of Grant of the Share Options

1. *Performance appraisal on company level*

The following conditions will be fulfilled once the performance appraisal on company level is met:

<b>Performance Targets</b>	<b>Performance Conditions of Grant</b>
EOE attributable to owners of the Company	in respect of the accounting year immediately preceding the grant (2022), shall be no less than 21% and the 50th percentile of Benchmark Enterprises
Compound growth rate of the total profit	the compound growth rate for 2019-2022 shall be no less than 22.3% and the 50th percentile of Benchmark Enterprises
Economic value added (EVA)	completion of targets delegated to the Group by the SASAC and disintegrated to the Company

Where: EOE attributable to owners of the Company = 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. *Performance appraisal on individual level of the Participants*

The results of the comprehensive appraisal and assessment for the Participant in the year immediately preceding the grant shall be “basically qualified” or above. Among them, the results of the individual annual comprehensive appraisal and assessment for the Participants who are department managers within the divisions at the headquarters and department managers of subsidiaries in the three years immediately preceding the grant shall be assessed as excellent for two times or more.

**(II) Performance conditions for the Share Options to become effective*****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:

Targets	First Tranche (One year immediately preceding the Share Options coming into effect, being 2024)	Second Tranche (One year immediately preceding the Share Options coming into effect, being 2025)	Third Tranche (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
EVA	Completion of targets delegated to the Group by the SASAC and disintegrated to the Company		

Where, 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%.

If the performance targets fulfil the above targets simultaneously, the performance coefficient of the Company will be 100%, otherwise it will be 0.

*Notes:*

1. 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, allotment, share capital increase and other matters, the changes in net assets arising from such matter shall be excluded from the appraisal.
2. In calculating the 75th percentile of benchmark enterprises, if there is delisting of benchmark enterprises, significant change in principal business or significant changes in operating results due to assets reorganization, or extreme condition where there is an overwhelming deviation of the actual operating results of benchmark enterprises, in such case, the Board will carry out the removal or replacement of the relevant benchmark enterprises according to the authorization of the Shareholders' Meeting, or carry out the removal or adjustment to the targets calculation related to benchmark enterprises.
3. In calculating the growth rate of benchmark enterprises, no calculation will be made for a negative basis.
4. The Board of the Company is entitled to make adjustment and revision to the above performance indicators and levels according to the company strategy, market environment and other factors, and perform the relevant approval and filing procedures.

The Company selects a total of 20 Benchmark Enterprises with shipping (including oil and gas transportation) as principal business in all capital markets, and the specific details are set out in the table as follows:

Number	Stock Code	Name of Company	Number	Stock Code	Name of Company
1	SHSE: 600428	COSCO SHIPPING Specialized Carriers	11	NYSE: EURN	EURONAV
2	SHSE: 600798	Ningbo Marine	12	NYSE: INSW	INTERNATIONAL SEAWAYS
3	SHSE: 601872	China Merchants Energy Shipping	13	NYSE: NAT	Nordic American Tanker
4	SHSE: 603167	Bohai Ferry Group	14	NYSE: NM	Navios Group
5	SZSE: 000520	Phoenix Shipping	15	NYSE: TNK	TEEKAY Tankers
6	SEHK: 137	Jinhui Holdings	16	BIT: DIS	D'Amico Soc. di Nav.
7	SEHK: 316	Orient Overseas (International)	17	SGX: F34	Wilmar International
8	SEHK: 2343	Pacific Basin Shipping	18	TSE: 8031	Mitsui & Co.

Number	Stock Code	Name of Company	Number	Stock Code	Name of Company
9	SEHK: 1145	Courage Investment	19	IDX: SOCI	Soechi Lines
10	NYSE: DHT	DHT Holdings	20	KLSE: MISC	MISC BERHAD

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

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

<b>Comprehensive appraisal and assessment ranking for the year immediately preceding the Share Options becoming effective</b>	<b>Excellent or qualified</b>	<b>Basically qualified</b>	<b>Unqualified</b>
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, and the portion not effective cannot be exercised.

## VI. DURATION AND NUMBER OF APPRAISAL

### (I) Duration of appraisal

The accounting year immediately preceding to the grant to the Participants or the Exercise of the Share Options.

### (II) Number of appraisal

Once a year during the appraisal year of the Share Options Incentive Scheme.

## VII. PROCEDURES OF APPRAISAL

The Human Resources Division of the Company is responsible for the specific appraisal task under the guidance of the Remuneration and Appraisal Committee of the Board and maintains the appraisal results, and formulates the performance appraisal report on this basis for submission to the Remuneration and Appraisal Committee of the Board.

**VIII. MANAGEMENT OF APPRAISAL RESULTS****(I) Feedback and complaint for appraisal results**

The appraised subject is entitled to be aware of the appraisal results. The direct supervisor of the employee shall notify the appraised subject with the appraisal results in 5 days after the completion of appraisal task.

If the appraised subject has disagreement over his/her own appraisal results, it is encouraged to communicate with the Human Resources Division to resolve it. If it cannot be resolved through communication, the appraised subject can make a complaint to the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee shall perform a review within 10 working days, and make a conclusion over the final appraisal results or grading.

**(II) Filing of appraisal results**

After the appraisal is completed, the appraisal results shall be filed and maintained as confidential information.

**IX. SUPPLEMENTARY PROVISION**

These Measures shall take effect from the date of approval at the Shareholders' Meeting and shall be interpreted and revised by the Board.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of COSCO SHIPPING Energy Transportation Co., Ltd. (the “Company”) or any adjournment thereof will be held at 10 a.m. on Friday, 10 May 2024 at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC to consider and, if thought fit, approve the following resolutions.

Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 23 April 2024.

#### SPECIAL RESOLUTIONS

1. To consider and approve the “2023 Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd.” and its summary.
2. To consider and approve the “Administrative Measures for the 2023 Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd.”.
3. To consider and approve the “Administrative Measures for the Implementation and Appraisal of the 2023 Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd.”.
4. To consider and approve the resolution to authorise the board of directors of the Company (the “Board”) to deal with matters related to the 2023 Share Option Incentive Scheme of the Company.

By order of the Board  
COSCO SHIPPING Energy Transportation Co., Ltd.  
NI Yidan  
Company Secretary

23 April 2024  
Shanghai, the People's Republic of China

\* For identification purposes only



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. The H share register of the Company will be closed from Tuesday, 7 May 2024, to Friday, 10 May 2024 (both days inclusive), during which no transfer of H shares will be effected. Any holders of H shares of the Company, whose names appear on the Company's register of members at the close of business hours on Friday, 10 May 2024 are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's H share registrar, not later than 4:30 p.m. on Monday, 6 May 2024.
2. The address of Hong Kong Registrars Limited, the share registrar (for share transfer) for the Company's H shares, is as follows:  
  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong
3. Each H Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM.
4. The form of proxy must be in writing under the hand of the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the form of proxy is signed by an attorney authorised by the Shareholder, the power of attorney authorising signature or other documents of authorisation must be notarially certified.
5. To be valid, for H Shareholders, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof.
6. Each A Shareholder is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM. Notes 3 to 4 also apply to A Shareholders, except that the form of proxy or other documents of authority must be delivered to the Office of the Board of Directors of the Company, not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid.

The details of the Office of the Board of Directors of the Company are as follows:

7th Floor, 670 Dongdaming Road  
Hongkou District  
Shanghai  
People's Republic of China  
Postal Code: 200080  
Tel: 86 (21) 6596 6666  
Fax: 86 (21) 6596 6160

7. If a proxy attends the EGM on behalf of a shareholder, he/she should produce his/her identity card and the form of proxy signed by the Shareholder or his/her attorney, which specifies the date of its issuance. If a Shareholder is a legal person and appoints its legal representative to attend the EGM, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person Shareholder appoints a company representative other than its legal representative to attend the EGM, such representative should produce his/her identity card and an authorisation instrument affixed with the seal of that Shareholder (which is a legal person) and duly signed by its legal representative.
8. The EGM is expected to last for an hour. Shareholders in person or by proxy attending the EGM are responsible for their own transportation and accommodation expenses.

*As at the date of this notice, 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.*

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## NOTICE OF H SHARES CLASS MEETING

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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)

## NOTICE OF H SHARES CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the class meeting for holders of H Shares (“**H Shares Class Meeting**”) of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**”) or any adjournment thereof will be held at 10 a.m. on Friday, 10 May 2024 at 5th Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC (to be convened in the order of the extraordinary general meeting, class meeting for holders of A shares and H Shares Class Meeting) to consider and, if thought fit, approve the following resolutions.

Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 23 April 2024.

### SPECIAL RESOLUTIONS

1. To consider and approve the “2023 Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd.” and its summary.
2. To consider and approve the “Administrative Measures for the 2023 Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd.”.
3. To consider and approve the “Administrative Measures for the Implementation and Appraisal of the 2023 Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd.”.
4. To consider and approve the resolution to authorise the board of directors of the Company (the “**Board**”) to deal with matters related to the 2023 Share Option Incentive Scheme of the Company.

By order of the Board  
**COSCO SHIPPING Energy Transportation Co., Ltd.**  
**NI Yidan**  
*Company Secretary*

23 April 2024  
Shanghai, the People's Republic of China

\* For identification purposes only

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## NOTICE OF H SHARES CLASS MEETING

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*Notes:*

1. The H share register of the Company will be closed from Tuesday, 7 May 2024, to Friday, 10 May 2024 (both days inclusive), during which no transfer of H shares will be effected. Any holders of H shares of the Company, whose names appear on the Company's register of members at the close of business hours on Friday, 10 May 2024 are entitled to attend and vote at the H Shares Class Meeting after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the H Shares Class Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's H share registrar, not later than 4:30 p.m. on Monday, 6 May 2024.
2. The address of Hong Kong Registrars Limited, the share registrar (for share transfer) for the Company's H shares, is as follows:  
  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong
3. Each H Shareholder who has the right to attend and vote at the H Shares Class Meeting is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the H Shares Class Meeting.
4. The form of proxy must be in writing under the hand of the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the form of proxy is signed by an attorney authorised by the Shareholder, the power of attorney authorising signature or other documents of authorisation must be notarially certified.
5. To be valid, for H Shareholders, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the H Shares Class Meeting or any adjournment thereof.
6. If a proxy attends the H Shares Class Meeting on behalf of a shareholder, he/she should produce his/her identity card and the form of proxy signed by the Shareholder or his/her attorney, which specifies the date of its issuance. If a Shareholder is a legal person and appoints its legal representative to attend the H Shares Class Meeting, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person Shareholder appoints a company representative other than its legal representative to attend the H Shares Class Meeting, such representative should produce his/her identity card and an authorisation instrument affixed with the seal of that Shareholder (which is a legal person) and duly signed by its legal representative.
7. The H Shares Class Meeting is expected to last for an hour. Shareholders in person or by proxy attending the H Shares Class Meeting are responsible for their own transportation and accommodation expenses.

*As at the date of this notice, 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.*