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

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**If you are in any 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 adviser.

**If you have sold or transferred** all your shares in COSCO SHIPPING Development Co., Ltd., you should at once hand this circular, the Form of Proxy of EGM, the Form of Proxy of H Shares Class Meeting and the Form of Proxy of INED 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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**中遠海運發展股份有限公司**  
**COSCO SHIPPING Development Co., Ltd.\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02866)**

**(1) PROPOSED ADOPTION OF THE REVISED  
SHARE OPTION INCENTIVE SCHEME**  
**(2) NOTICE OF EGM**  
**AND**  
**(3) 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 7 to 20 of this circular.

The Notice of EGM convening the EGM to be held at 1:30 p.m. on Thursday, 5 March 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC is set out on pages EGM-1 to EGM-4 of this circular.

The Notice of H Shares Class Meeting convening the H Shares Class Meeting to be held at 1:30 p.m. on Thursday, 5 March 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC is set out on pages HCM-1 to HCM-4 of this circular.

\* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

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## DEFINITIONS

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

“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
“A Shares Class Meeting”	the class meeting of holders of A Share(s) to be convened at 1:30 p.m. on Thursday, 5 March 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC (or any adjournment thereof)
“Adjustment for Dividend Distribution”	the adjustment to the exercise price of the Share Options in the event of distribution of dividend under the Revised Share Option Incentive Scheme
“Administrative Measures”	the “Administrative Measures on Share Incentives of Listed Companies (Zhong Guo Zheng Jian Hui Ling [No. 126])” <sup>#</sup> (《上市公司股權激勵管理辦法》(中國證監會令[第126號])) issued by the CSRC
“Appraisal Measures”	the “Appraisal Measures of the Share Option Incentive Scheme (Revised)” <sup>#</sup> (《股票期權激勵計劃實施考核辦法(修訂稿)》) of the Company, the full text of which is set out in Appendix III to this circular
“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“Class Meetings”	the A Shares Class Meeting and the H Shares Class Meeting
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively

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## DEFINITIONS

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“Company Law”	the Company Law of the PRC
“Conditions of Exercise”	the conditions to be satisfied for the Share Options to become effective and exercisable under the Revised Share Option Incentive Scheme
“Conditions of Grant”	the conditions to be satisfied for the grant of Share Options under the Revised Share Option Incentive Scheme
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited <sup>#</sup> (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
“CSRC”	China Securities Regulatory Commission
“Date of Grant”	the date on which the Share Options are granted to the Participants by the Company under the Revised Share Option Incentive Scheme
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 1:30 p.m. on Thursday, 5 March 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC (or any adjournment thereof) to consider and, if thought fit, approve the resolutions contained in the Notice of EGM
“EOE”	earnings before interest, taxes, depreciation and amortisation on average equity
“EVA”	the economic value added, representing the annual net operating profit after tax and deductions of all costs of equity and debt capital invested, calculated in accordance with the “Interim Measures for Business Performance Appraisals of Persons-in-Charge at Central Enterprises” <sup>#</sup> (《中央企業負責人經營業績考核暫行辦法》) issued by the SASAC

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## DEFINITIONS

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“Form of Proxy of EGM”	the form of proxy of the Company in respect of the resolutions set out in the Notice of EGM
“Form of Proxy of H Shares Class Meeting”	the form of proxy of the Company in respect of the resolutions set out in the Notice of H Shares Class Meeting
“Form of Proxy of INED”	the form of proxy for the solicitation of votes by Mr. Lu Jianzhong, an independent non-executive Director, to solicit votes from the Shareholders in respect of the resolutions set out in the Notice of EGM and the Notice of H Shares Class Meeting
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“H Shares Class Meeting”	the class meeting of holders of H Share(s) to be convened at 1:30 p.m. on Thursday, 5 March 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC (or any adjournment thereof) to consider and, if thought fit, approve the resolutions contained in the Notice of H Shares Class Meeting
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	13 February 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

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## DEFINITIONS

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“Management Measures”	the “Management Measures of the Share Option Incentive Scheme” <sup>#</sup> (《股票期權激勵計劃管理辦法》) of the Company, the full text of which is set out in Appendix II to this circular
“Notice of EGM”	the notice of the EGM dated 17 February 2020, which is set out on EGM-1 to EGM-4 of this circular
“Notice of H Shares Class Meeting”	the notice of the H Shares Class Meeting dated 17 February 2020, which is set out on HCM-1 to HCM-4 of this circular
“Participant(s)”	the person(s) to be granted Share Option(s) under the Revised Share Option Incentive Scheme
“Peer Benchmark Companies”	19 listed companies principally engaged in similar businesses to the Group’s businesses which have been selected as benchmark companies, further details of which are set out in the Appraisal Measures
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and the region of Taiwan
“Remuneration Committee”	the remuneration committee of the Company
“Reserved Share Options”	a total of 8,847,445 Share Options reserved under the Revised Share Option Incentive Scheme, the Participants of which shall be determined by the Board within 12 months after the approval of the Revised Share Option Incentive Scheme by the Shareholders at the Shareholders’ Meetings
“Revised Proposed Initial Grant”	the proposed initial grant of 79,627,003 Share Options to the Participants pursuant to the Revised Share Option Incentive Scheme
“Revised Share Option Incentive Scheme”	the proposed revised A Share option incentive scheme of the Company, as amended and supplemented from the Share Option Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share Option Incentive Scheme”	the proposed A Share option incentive scheme of the Company
“Share Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares at a pre-determined exercise price in a particular period of time and subject to certain conditions under the Revised Share Option Incentive Scheme
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Meetings”	collectively, the general meeting of the Company, the class meeting of holders of A Shares and the class meeting of holders of H Shares
“Stock Exchange(s)”	the Shanghai Stock Exchange and/or the Hong Kong Stock Exchange, as the case may be
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“trading day(s)”	any day on which the A Shares are traded on the Shanghai Stock Exchange
“Trial Measures”	the “Trial Measures on Implementation of Share Incentive Schemes by State Controlled Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175)” <sup>#</sup> (《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)) issued by the SASAC
“Validity Period”	the period during which the Revised Share Option Incentive Scheme remains effective
“Vesting Period”	the period of two years from the Date of Grant

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## DEFINITIONS

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“Working Guidelines”

“Working Guidelines for Implementation of Share Option Incentive by Listed Companies Controlled by Central Enterprise” (《中央企業控股上市公司實施股權激勵工作指引》) of the SASAC

“%”

per cent

\* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name “COSCO SHIPPING Development Co., Ltd.”.*

# *For identification purposes only.*



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LETTER FROM THE BOARD

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中遠海運發展股份有限公司  
**COSCO SHIPPING Development Co., Ltd.\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02866)**

*Executive Directors:*

Mr. Wang Daxiong  
Mr. Liu Chong  
Mr. Xu Hui

*Non-executive Directors:*

Mr. Feng Boming  
Mr. Huang Jian  
Mr. Liang Yanfeng

*Independent Non-executive Directors:*

Mr. Cai Hongping  
Ms. Hai Chi Yuet  
Mr. Graeme Jack  
Mr. Lu Jianzhong  
Ms. Zhang Weihua

*Legal address in the PRC:*

Room A-538  
International Trade Center  
China (Shanghai) Pilot Free Trade Zone  
Shanghai  
The PRC

*Principal place of business in the PRC:*

5299 Binjiang Dadao  
Pudong New District  
Shanghai  
The PRC

*Principal place of business in Hong Kong:*

50/F, COSCO Tower  
183 Queen's Road Central  
Hong Kong

17 February 2020

*To the Shareholders*

Dear Sir/Madam,

**(1) PROPOSED ADOPTION OF THE REVISED  
SHARE OPTION INCENTIVE SCHEME**

**(2) NOTICE OF EGM**

**AND**

**(3) NOTICE OF H SHARES CLASS MEETING**

**I. INTRODUCTION**

Reference is made to (i) the announcement of the Company dated 16 December 2019 in relation to, among other things, the proposed adoption of the Share Option Incentive Scheme and the proposed initial grant thereunder by the Company; (ii) the announcement of the Company dated 22 January 2020 in relation to, among other things, the proposed adoption of the Revised Share Option Incentive Scheme and the Revised Proposed Initial Grant by the Company; (iii) the Notice of EGM; and (iv) the Notice of H Shares Class Meeting.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things:

- (i) information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM and the H Shares Class Meeting;
- (ii) further details of the proposed adoption of the Revised Share Option Incentive Scheme and the Revised Proposed Initial Grant under the Revised Share Option Incentive Scheme; and
- (iii) further details of the terms of the Revised Share Option Incentive Scheme, the Management Measures and the Appraisal Measures.

At the EGM and the H Shares Class Meeting, special resolutions will be proposed to approve:

- (i) the proposed adoption of the Revised Share Option Incentive Scheme;
- (ii) the proposed adoption of the Management Measures;
- (iii) the proposed adoption of the Appraisal Measures; and
- (iv) the authorisation to the Board in relation to the Revised Share Option Incentive Scheme.

## **II. PROPOSED ADOPTION OF THE REVISED SHARE OPTION INCENTIVE SCHEME**

### **1. Purpose of the Revised Share Option Incentive Scheme**

The purpose of the Revised Share Option Incentive Scheme is to, among other things, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the senior management and core management and business personnel of the Group, thereby tying the interests of the Company, the Shareholders and the management together and facilitating the achievement of the development targets of the Company.

### **2. Source and number of Shares under the Revised Share Option Incentive Scheme**

#### ***(1) Source of the underlying Shares under the Revised Share Option Incentive Scheme***

The source of the underlying Shares of the Revised Share Option Incentive Scheme shall be (i) 79,627,003 A Shares repurchased and held by the Company pursuant to the authorisation granted by the Shareholders at the extraordinary general meeting of the Company, the class meeting of holders of A Shares and the class meeting of holders of H Shares held on 25 February 2019; and (ii) 8,847,445 A Shares to be issued by the Company. The A Shares to be issued pursuant to the exercise of the Share Options granted under the Revised Share Option Incentive Scheme shall rank *pari passu* in all respects with all A Shares in issue as at the date of the issuance of such A Shares.

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## LETTER FROM THE BOARD

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### *(2) Number of the underlying Shares in relation to the Share Options*

The total number of the Share Options to be granted under the Revised Share Option Incentive Scheme shall be 88,474,448 (inclusive of the Reserved Share Options) and the underlying A Shares in relation thereto shall be 88,474,448 A Shares, representing approximately 0.7622% of the existing total issued share capital of the Company and 1.1154% of the existing A Share capital of the Company as at the Latest Practicable Date.

Subject to the satisfaction of the Conditions of Exercise, each Share Option entitles the Participant to acquire one A Share at the pre-determined exercise price. The Share Options granted to the Participants shall not be transferred, pledged for guarantee or used for repayment of debts.

### **3. Validity Period, Vesting Period, exercise date and exercise period**

#### *(1) Validity Period*

The Revised Share Option Incentive Scheme shall be effective for 10 years from the date on which the Revised Share Option Incentive Scheme is approved at the Shareholders' Meetings.

#### *(2) Vesting Period*

The Vesting Period of the Revised Share Option Incentive Scheme is two years from the Date of Grant.

#### *(3) Exercise period and exercise date*

The exercise period of the Share Options under the Revised Share Option Incentive Scheme shall be a term of seven years commencing from the Date of Grant. Share Options not exercised within seven years from the Date of Grant shall lapse automatically. Subject to the satisfaction of the Conditions of Exercise, the Share Options granted under the Revised Share Option Incentive Scheme will be exercisable in three tranches after the expiration of the Vesting Period in accordance with the following arrangement:

<b>Exercise period</b>	<b>Duration</b>	<b>Proportion of Share Options exercisable to the total number of Share Options granted</b>
First exercise period	Commencing on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant.	1/3

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## LETTER FROM THE BOARD

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<b>Exercise period</b>	<b>Duration</b>	<b>Proportion of Share Options exercisable to the total number of Share Options granted</b>
Second exercise period	Commencing on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant.	1/3
Third exercise period	Commencing on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant.	1/3

The two-year Vesting Period may provide incentives to the Participants to remain employed with the Company during the Vesting Period and thereby enable the Company to benefit from the continued services of such Participants, thus providing long-term rewards and retention incentives to the Participants while retaining human resources that are valuable to the growth and development of the Company as a whole.

In addition, the Share Options can only become effective and exercisable by the Participants upon (i) the Company achieving certain performance targets; and (ii) the Participants obtaining designated assessment grades at his/her performance appraisal, further details of which are set out in the section headed “6. Conditions of Grant and Conditions of Exercise” in Appendix I to this circular. These requirements, together with the Vesting Period, may enable the Company to provide incentives to the Participants to motivate their pro-activeness and creativity in using their best endeavors to facilitate the growth and development of the Company, and tie the interests of the Company, the Shareholders and the management together and therefore facilitate the achievement of the development targets of the Company.

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## LETTER FROM THE BOARD

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#### 4. Exercise price and basis of determination

The exercise price of the Share Options to be granted under the Revised Share Option Incentive Scheme shall be RMB2.52 per A Share. Subject to the satisfaction of the Conditions of Exercise, each Share Option entitles the Participant to acquire one A Share at RMB2.52 per A Share.

The exercise price of the Shares Options was determined in accordance with the relevant requirements under the laws and regulations of the PRC and the requirements of the relevant regulatory authorities in the PRC and represents the higher of the following:

- (i) the average trading price of the A Shares on the last trading day immediately preceding the date of announcement of the Share Option Incentive Scheme, being approximately RMB2.52 per A Share;
- (ii) the average trading price of the A Shares for the 20 trading days immediately preceding the date of the announcement of the Share Option Incentive Scheme being approximately RMB2.50 per A Share; and
- (iii) the par value of the A Shares, being RMB1.00 per A Share.

The initial exercise price of RMB2.52 will be adjusted in the event of distribution of dividends, capitalization issue, bonus issue, sub-division or consolidation of Shares or rights issue of the Company since the Date of Grant and before the exercise of the Share Options, further details of which are set out in the section headed “7. Methods and procedures for adjustments to the number and the exercise price of the Share Options” in Appendix I to this circular.

The determination of the exercise price of the Share Options has fully taken into account the market price of the A Shares, which is intended to incentivize the senior management and core management and business personnel of the Group, and tie the interests of the Company, the Shareholders and the management together and to facilitate the achievement of the development targets of the Company.

For further details of the Revised Share Option Incentive Scheme, please refer to Appendix I to this circular.

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## LETTER FROM THE BOARD

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### III. CONDITIONS TO THE REVISED SHARE OPTION INCENTIVE SCHEME

The Revised Share Option Incentive Scheme is subject to the review and approval by the SASAC and the approval of the Shareholders at the EGM and the Class Meetings. As at the Latest Practicable Date, the approval by the SASAC of the Revised Share Option Incentive Scheme has been obtained.

### IV. REVISED PROPOSED INITIAL GRANT UNDER THE REVISED SHARE OPTION INCENTIVE SCHEME

Pursuant to the Revised Share Option Incentive Scheme, the Board proposed to grant Shares Options to 127 Participants, which comprises 9 Directors and senior management of the Company, 118 core management and business personnel of the Group under the Revised Proposed Initial Grant.

The total number of underlying A Shares in relation to the Share Options to be granted under the Revised Proposed Initial Grant shall be 79,627,003 A Shares, representing approximately 0.6860% of the existing total issued share capital of the Company and 1.0039% of the existing A Share capital of the Company as at the Latest Practicable Date.

For further details of the allocation of the Share Options under the Revised Proposed Initial Grant, please refer to the section headed “11. Revised Proposed Initial Grant under the Revised Share Option Incentive Scheme” in Appendix I to this circular.

### V. PROPOSED ADOPTION OF THE MANAGEMENT MEASURES

To determine the roles and allocate responsibilities amongst relevant departments and organisations of the Company in respect of the management and implementation of the Revised Share Option Incentive Scheme, the Company proposes to adopt the Management Measures.

The full text of the Management Measures, which were prepared in the Chinese language, is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the Management Measures, the Chinese version shall prevail.

### VI. PROPOSED ADOPTION OF THE APPRAISAL MEASURES

Under the Revised Share Option Incentive Scheme, the Company shall achieve certain performance targets and the Participants shall obtain designated assessment grades at his/her performance appraisal before the Share Options become effective and exercisable by the Participants. The Company proposes to adopt the Appraisal Measures, which sets out the details of the appraisal measures in respect of the performance targets of the Company and the assessment grades of the Participants.

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## LETTER FROM THE BOARD

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The full text of the Appraisal Measures, which were prepared in the Chinese language, is set out in Appendix III to this circular. In the event of any discrepancy between the English translation and the Chinese version of the Appraisal Measures, the Chinese version shall prevail.

### **VII. AUTHORISATION TO THE BOARD IN RELATION TO THE REVISED SHARE OPTION INCENTIVE SCHEME**

In order to ensure effective implementation of the Revised Share Option Incentive Scheme, the Board proposes to seek approval from the Shareholders at the EGM and the Class Meetings for authorisation to the Board and/or its authorised persons to be responsible for the implementation and management of the Revised Share Option Incentive Scheme in accordance with the relevant laws and regulations, including but not limited to:

- (i) authorisation to the Board to determine the Date of Grant;
- (ii) authorisation to the Board to grant the Share Options to the Participants upon fulfillment of the Conditions of Grant by the Company and the Participants, and to handle all matters in relation to the grant of the Share Options;
- (iii) authorisation to the Board to determine whether the Company and the Participants are qualified to exercise or unlock the Share Options, to review and confirm whether the Conditions of Exercise are fulfilled, and to delegate such authorisation to the Remuneration Committee;
- (iv) authorisation to the Board to adjust the number and exercise price of the Share Options in the event of distribution of dividends, capitalization issue, bonus issue, sub-division or consolidation of Shares or rights issue of the Company as set out in the Revised Share Option Incentive Scheme;
- (v) authorisation to the Board to handle the Share Options of the Participants which have been exercised or which have not been exercised but the occurrence of special events as set out in the Revised Share Option Incentive Scheme including the termination of employment relationship, retirement and death;
- (vi) authorisation to the Board to determine items of amendment during the process of implementation pursuant to the provisions of the Revised Share Option Incentive Scheme, provided that such items of amendment are in accordance with the relevant provisions of the Hong Kong Listing Rules and/or relevant laws, administrative regulations, departmental rules or regulatory documents;
- (vii) authorisation to the Board to determine the continual implementation, revision, suspension or termination of the Revised Share Option Incentive Scheme upon the occurrence of events including the change of control of the Company, the merger or demerger of the Company or other material changes of the Company, except for the rights required to be exercised at the Shareholders' Meetings as stipulated in the relevant laws, administrative regulations, departmental rules or regulatory documents;

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## LETTER FROM THE BOARD

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- (viii) authorisation to the Board to make any other necessary management or adjustments to the Revised Share Option Incentive Scheme, including but not limited to formulating and amending the management and implementation rules of the Revised Share Option Incentive Scheme in accordance with the terms of the Revised Share Option Incentive Scheme from time to time (if such amendments require the approval of the Shareholders' Meetings and/or relevant regulatory authorities pursuant to the relevant laws, regulations or requirements of the relevant regulatory authorities, the Board shall obtain the corresponding authorisation for such amendments);
- (ix) authorisation to the Board to make corresponding amendments to the Revised Share Option Incentive Scheme upon revisions to relevant laws, administrative regulations, departmental rules or regulatory documents applicable to the Revised Share Option Incentive Scheme;
- (x) authorisation to the Board and its authorised persons to handle all necessary matters in relation to the exercise of the Share Options by the Participants, including but not limited to submitting the application for the exercise of the Share Options to the Shanghai Stock Exchange, making the application to China Securities Depository and Clearing Corporation Limited for handling the registration and settlement business, amending the Articles of Association, handling the registration of change of the registered capital of the Company, and allotting and issuing up to 8,847,445 new A Shares upon the exercise of the Share Options granted under the Revised Share Option Incentive Scheme;
- (xi) authorisation to the Board and its authorised persons to, for the purpose of the implementation of the Revised Share Option Incentive Scheme, appoint the receiving bank, engage intermediaries including auditors and legal advisers, approve and execute, implement, amend and terminate any agreements and other relevant contractual documents in relation to the Revised Share Option Incentive Scheme; and
- (xii) authorisation to the Board to handle all other necessary matters in relation to the implementation of the Revised Share Option Incentive Scheme, except as otherwise provided under the relevant laws, administrative regulations, departmental rules or regulatory documents.

The aforementioned authorisation to the Board and/or its authorised persons shall be valid for the Validity Period.



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## LETTER FROM THE BOARD

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### VIII. IMPLICATIONS UNDER THE HONG KONG LISTING RULES AND WAIVER FROM STRICT COMPLIANCE WITH NOTE 1 TO RULE 17.03(9) AND RULE 17.03(13) OF THE HONG KONG LISTING RULES

The Revised Share Option Incentive Scheme constitutes a share option scheme under Chapter 17 of the Hong Kong Listing Rules. Accordingly, any grant of Share Options under the Revised Share Option Incentive Scheme to any Participant who is a connected person of the Company will be exempted from all the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.92(3)(a) of the Hong Kong Listing Rules.

#### Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules

According to Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules, the exercise price of the relevant share options must be at least the higher of (i) the closing price of the securities as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant.

On the basis of the following factors, the Company has applied for, and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules in respect of the exercise price of the Share Options that may be granted under the Revised Share Option Incentive Scheme:

- (i) The proposed terms of the Revised Share Option Incentive Scheme, including the proposed basis of determination of the exercise price of the Share Options, are prepared in accordance with the relevant requirements under the PRC laws and regulations.
- (ii) According to the PRC legal advisers to the Company, the basis of determination of the exercise price of the Share Options under the Revised Share Option Incentive Scheme is required by and in accordance with the relevant rules and regulations promulgated by the CSRC and the SASAC, which are the relevant regulatory bodies governing the market of the A Shares in the PRC and the operations of state-owned enterprises, respectively, and such method of determination is in line with the market practice in the PRC.
- (iii) As the shares to be issued upon the exercise of the Share Options are all A Shares, it would be inappropriate for the Company to use the closing price of the H Shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange as references in determining the exercise price of the Share Options as required under Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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- (iv) Further, while the proposed basis of determination of the exercise price of the Share Options under the Revised Share Option Incentive Scheme deviates from the requirements under Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules, the proposed exercise price of the Share Options will reflect the prevailing market price of the A Shares at the time of the proposed grant of the Share Options. As such, the mechanism for the determination of the exercise price of the Share Options is in line with the principles of Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules.
- (v) The proposed adoption of the Revised Share Option Incentive 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 and in particular, the holders of the H Shares, will have the opportunity to fully consider and evaluate the principal terms of the Revised Share Option Incentive Scheme.
- (vi) Save for the basis of determination of the exercise price of the Share Options and the Adjustment for Dividend Distribution, all other proposed terms of the Revised Share Option Incentive Scheme will be in compliance with the requirements under Chapter 17 of the Hong Kong Listing Rules.

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

According to Rule 17.03(13) of the Hong Kong Listing Rules, the scheme document must include a provision for adjustment of the exercise price or the number of securities subject to options already granted and to the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital.

On the basis of the following factors, the Company has applied for, and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rule 17.03(13) of the Hong Kong Listing Rules in respect of the Adjustment for Dividend Distribution:

- (i) The proposed terms of the Revised Share Option Incentive Scheme, including the Adjustment for Dividend Distribution, are prepared in accordance with the relevant requirements under the PRC laws and regulations and the requirements of the relevant regulatory authorities of the PRC.
- (ii) According to the PRC legal advisers to the Company, the Adjustment for Dividend Distribution under the Revised Share Option Incentive Scheme is pursuant to the provision of the Working Guidelines, which the Company is required to comply with pursuant to the relevant PRC regulatory requirements. According to the PRC legal advisers to the Company, (i) the terms of the Revised Share Option Incentive Scheme generally comply with the requirements under the Working Guidelines and (ii) the Adjustment for Dividend Distribution is in line with the market practice in the PRC. Necessary regulatory approval in respect of the Revised Share Option Incentive Scheme may not have been obtained if the relevant provisions of the Working Guidelines are not complied with.

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## LETTER FROM THE BOARD

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- (iii) The aggregate number of the underlying Shares of the Revised Share Option Incentive Scheme is 88,474,448 A Shares, comprising (i) 79,627,003 A Shares repurchased and held by the Company; and (ii) 8,847,445 A Shares to be issued by the Company. Assuming that all of the 88,474,448 Share Options are granted and fully exercised pursuant to the terms of the Revised Share Option Incentive Scheme, the number of new A Shares to be issued pursuant to the aforementioned full exercise of the Share Options is 8,847,445 A Shares, representing only approximately 0.0762% of the existing total issued share capital of the Company and 0.1115% of the existing A Share capital of the Company as at the Latest Practicable Date. The dilutive impact of the Revised Share Option Incentive Scheme (if any) is minimal. Further, according to the relevant PRC laws and regulations, the issue price of a Share shall not be below the nominal value of the Shares and therefore, the A Shares shall not be issued at less than its nominal value of RMB1 per A Share pursuant to the exercise of the Share Options.
- (iv) The A Shares, being the underlying Shares of the Share Options, have been trading at a premium over the H Shares. Taking into account the deviation in the trading prices of the A Shares and the H Shares, the dilutive impact on the holders of the H Shares as a result of the issue of new A Shares pursuant to the exercise of the Share Options (if any) is negligible. Further details of the prices of the A Shares and the H Shares are set out below:
- (a) the closing price of the A Shares as quoted on the Shanghai Stock Exchange as at the trading day immediately preceding the Latest Practicable Date is RMB2.21 per A Share;
  - (b) the highest and lowest trading price of the A Shares as quoted on the Shanghai Stock Exchange during the period of 52 weeks immediately preceding the Latest Practicable Date is RMB3.78 per A Share and RMB1.97 per A Share, respectively;
  - (c) the average closing price of the A Shares as quoted on the Shanghai Stock Exchange for the period of 52 weeks immediately preceding the Latest Practicable Date is approximately RMB2.72 per A Share;
  - (d) the closing price of the H Shares as quoted on the Hong Kong Stock Exchange as at the trading day immediately preceding the Latest Practicable Date is HK\$0.87 per H Share;
  - (e) the highest and lowest trading price of the H Shares as quoted on the Hong Kong Stock Exchange during the period of 52 weeks immediately preceding the Latest Practicable Date is HK\$1.20 per H Share and HK\$0.80 per H Share, respectively; and

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- (f) the average closing price of the H Shares as quoted on the Hong Kong Stock Exchange for the period of 52 weeks immediately preceding the Latest Practicable Date is approximately HK\$0.95 per H Share.
- (v) In light of the premium of the trading price of the A Shares over that of the H Shares, notwithstanding the Adjustment for Dividend Distribution, the adjusted exercise price of the Share Options in the event of dividend distribution is expected to remain higher than the then prevailing trading price of the H Shares (which will also be subject to ex-entitlement adjustment). Considering (i) the insignificant number of new A Shares involved in the exercise of the Shares Options; (ii) the premium of the exercise price of the Share Options over the trading price of the H Shares; and (iii) the requirement under the relevant PRC laws and regulation that the A Shares shall not be issued at less than its nominal value of RMB1 per A Share pursuant to the exercise of the Share Options, the dilutive impact of the Adjustment for Dividend Distribution under the Revised Share Option Incentive Scheme (if any) is minimal.
- (vi) The proposed adoption of the Revised Share Option Incentive 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 Revised Share Option Incentive Scheme, including the Adjustment for Dividend Distribution.

### IX. CONFIRMATION OF THE BOARD

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, are Participants under the Revised Proposed Initial Grant. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui have therefore abstained from voting on the Board resolutions approving (i) the proposed adoption of the Revised Share Option Incentive Scheme; (ii) the proposed adoption of the Management Measures; (iii) the proposed adoption of the Appraisal Measures; and (iv) the authorisation to the Board in relation to the Revised Share Option Incentive Scheme. Each of Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui is not a member of the Remuneration Committee. Save as aforementioned, none of the other Directors has a material interest in (i) the proposed adoption of the Revised Share Option Incentive Scheme; (ii) the proposed adoption of the Management Measures; (iii) the proposed adoption of the Appraisal Measures; and (iv) the authorisation to the Board in relation to the Revised Share Option Incentive Scheme, and therefore no other Director has abstained from voting on such Board resolutions.

In accordance with Rule 17.04(1) of the Hong Kong Listing Rules, the grant of the Share Options to Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui under the Revised Proposed Initial Grant has been approved by the independent non-executive Directors.

No trustee has been appointed for the administration of the Revised Share Option Incentive Scheme.

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## LETTER FROM THE BOARD

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### X. THE EGM AND THE CLASS MEETINGS

The EGM and the Class Meetings will be held at 1:30 p.m. on Thursday, 5 March 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC, for the Shareholders to consider and, if thought fit, approve the abovementioned resolutions. The voting in relation to such resolutions will be conducted by way of poll.

The Notice of EGM and the Notice of H Shares Class Meeting, are set out on pages EGM-1 to EGM-4 and HCM-1 to HCM-4 of this circular, respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the resolutions to be proposed at the EGM and/or the Class Meetings, and therefore no Shareholder is required to abstain from voting at the EGM and/or the Class Meetings for such resolutions.

Pursuant to the Administrative Measures, an 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 option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participation in general meetings, so as to encourage them to vote on the resolutions in respect of the proposed adoption of a share option incentive scheme.

The Form of Proxy of INED to solicit votes by Mr. Lu Jianzhong, an independent non-executive Director, from the Shareholders in relation to the resolutions to be proposed at the EGM and/or the H Shares Class Meeting, has been despatched to the Shareholders. Should you wish to appoint Mr. Lu Jianzhong as your proxy to vote on your behalf at the EGM and/or the H Shares Class Meeting, please complete the Form of Proxy of INED. Alternatively, if you wish to appoint any person other than Mr. Lu Jianzhong as your proxy to vote on your behalf at the EGM and/or the H Shares Class Meeting, you may disregard the Form of Proxy of INED and complete and return the Form of Proxy of EGM and/or the Form of Proxy of H Shares Class Meeting instead. The overseas regulatory announcement of the Company dated 17 February 2020 in relation to the public solicitation of voting rights by the independent non-executive Directors has been published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://development.coscoshipping.com>).

For the H Shareholders, the Form of Proxy of EGM, the Form of Proxy of H Shares Class Meeting and the Form of Proxy of INED should be returned to Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company, by hand or by post not less than 24 hours before the time appointed for holding the EGM and/or the H Shares Class Meeting or any adjourned meeting thereof.

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Completion and return of the Form of Proxy of EGM, the Form of Proxy of H Shares Class Meeting and the Form of Proxy of INED will not preclude a Shareholder from attending and voting in person at the EGM and/or the H Shares Class Meeting or at any adjourned meeting thereof should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

### XI. RECOMMENDATION

The Directors (including the non-executive Directors) are of the view that (i) the proposed adoption of the Revised Share Option Incentive Scheme; (ii) the proposed adoption of the Management Measures; (iii) the proposed adoption of the Appraisal Measures; and (iv) the authorisation to the Board in relation to the Revised Share Option Incentive Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings.

### XII. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 50/F, COSCO Tower, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM and the Class Meetings:

- (i) the Revised Share Option Incentive Scheme;
- (ii) the Management Measures; and
- (iii) the Appraisal Measures.

### XIII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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 document misleading.

By order of the Board  
**COSCO SHIPPING Development Co., Ltd.**  
**Yu Zhen**  
*Company Secretary*

\* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

# *For identification purposes only.*

A summary of the principal terms of the Revised Share Option Incentive Scheme is as follows:

## **1. PURPOSE OF THE REVISED SHARE OPTION INCENTIVE SCHEME**

The purpose of the Revised Share Option Incentive Scheme is to, among other things, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the senior management and core management and business personnel of the Group, thereby tying the interests of the Company, the Shareholders and the management together and facilitating the achievement of the development targets of the Company.

## **2. BASIS OF DETERMINING THE PARTICIPANTS AND THE SCOPE OF THE PARTICIPANTS**

### **(1) Basis of determining the Participants**

The scope of the Participants of the Revised Share Option Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Trial Measures, the Administrative Measures, the Hong Kong Listing Rules, the relevant laws, regulations and regulatory documents and the Articles of Association.

### **(2) Scope of the Participants**

The scope of the Participants of the Revised Share Option Incentive Scheme is as follows:

- (i) the Participants shall in principle be limited to Directors, senior management and core management, technical and business personnel who have direct impact on the overall results and continuous development of the Group;
- (ii) if a Participant is a Director, chief executive of the Company or a substantial Shareholder or any of their respective associates (as defined in the Hong Kong Listing Rules), each grant of the Share Options to any of the abovementioned persons shall be approved by the independent non-executive Directors;
- (iii) Directors, senior management, core technical and business personnel of the Company who are foreigners may become a Participant;
- (iv) professional managers hired from the market by the Company may participate in the Revised Share Option Incentive Scheme;
- (v) persons-in-charge of central state-owned enterprises managed by the central government of the PRC and the Party committee of the SASAC shall not participate in the Revised Share Option Incentive Scheme;

- (vi) persons who do not hold positions in the Company shall not participate in the Revised Share Option Incentive Scheme;
- (vii) the Supervisors, independent non-executive Directors and any Shareholders or de facto controllers who individually or jointly hold more than 5% of the Shares and their spouse, parents and children shall not participate in the Revised Share Option Incentive Scheme;
- (viii) if a person-in-charge of the controlling Shareholder(s) holds a position in the Company, he/she may participate in the Revised Share Option Incentive Scheme, but can only participate in the share option scheme of one listed subsidiary of the controlling Shareholder(s);
- (ix) Pursuant to the Administrative Measures, a person shall not participate in the Revised Share Option Incentive Scheme if:
  - (a) he/she has been declared as an unsuitable candidate by the Shanghai Stock Exchange in the past 12 months;
  - (b) he/she has been declared as an unsuitable candidate by the CSRC or its agencies in the past 12 months;
  - (c) he/she has been imposed with administrative penalties or prohibited from entering into the market by the CSRC or its agencies in the past 12 months due to material non-compliance with laws and regulations;
  - (d) he/she has been prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
  - (e) he/she has been prohibited from participating in share option incentive schemes of listed companies under laws and regulations; or
  - (f) there are other circumstances as determined by the CSRC.



**3. SOURCE AND NUMBER OF SHARES UNDER THE REVISED SHARE OPTION INCENTIVE SCHEME****(1) Source of the underlying Shares under the Revised Share Option Incentive Scheme**

The source of the underlying Shares of the Revised Share Option Incentive Scheme shall be (i) 79,627,003 A Shares repurchased and held by the Company pursuant to the authorisation granted by the Shareholders at the extraordinary general meeting of the Company and the Class Meetings held on 25 February 2019; and (ii) 8,847,445 A Shares to be issued by the Company. The A Shares to be issued pursuant to the exercise of the Share Options granted under the Revised Share Option Incentive Scheme shall rank *pari passu* in all respects with all A Shares in issue as at the date of the issuance of such A Shares.

**(2) Number of the underlying Shares in relation to the Share Options**

The total number of the Share Options to be granted under the Revised Share Option Incentive Scheme shall be 88,474,448 (inclusive of the Reserved Share Options) and the underlying A Shares in relation thereto shall be 88,474,448 A Shares, representing approximately 0.7622% of the existing total issued share capital of the Company and 1.1154% of the existing A Share capital of the Company as at the Latest Practicable Date.

It is proposed that 79,627,003 Share Options will be granted to 127 Participants under the Revised Proposed Initial Grant, upon full exercise of which, 79,627,003 A Shares, representing approximately 0.6860% of the existing total issued share capital of the Company and 1.0039% of the existing A Share capital of the Company as at the Latest Practicable Date, shall be issued. Further details of the Revised Proposed Initial Grant are set out in the section headed “Revised Proposed Initial Grant under the Revised Share Option Incentive Scheme” below.

The remaining 8,847,445 Share Options, being the Reserved Share Options and representing approximately 10% of the total number of the Share Options to be granted under the Revised Share Option Incentive Scheme, will be reserved and granted upon the determination of the relevant Participants by the Board within 12 months after the approval of the Revised Share Option Incentive Scheme by the Shareholders at the Shareholders’ Meetings. If the Participants eligible for the Reserved Share Options are not determined within the abovementioned 12-month period, the Reserved Share Options shall lapse.

Subject to the satisfaction of the Conditions of Exercise, each Share Option entitles the Participant to acquire one A Share at the pre-determined exercise price. The Share Options granted to the Participants shall not be transferred, pledged for guarantee or used for repayment of debts.

Unless otherwise approved by the Shareholders at the Shareholders' Meetings, the total number of A Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including both exercised and outstanding Share Options) in any 12-month period shall not exceed 1% of the total issued A Share capital of the Company.

During the Validity Period, the aggregate number of underlying A Shares in relation to the Share Options under the Revised Share Option Incentive Scheme shall not exceed 10% of the total issued A Share capital of the Company as at the date of approval of the Revised Share Option Incentive Scheme. The Revised Share Option Incentive Scheme will not result in change of control of the Company.

#### **4. VALIDITY PERIOD, DATE OF GRANT, VESTING PERIOD, EXERCISE DATE, EXERCISE PERIOD AND LOCK-UP PROVISIONS**

##### **(1) Validity Period**

The Revised Share Option Incentive Scheme shall be effective for 10 years from the date on which the Revised Share Option Incentive Scheme is approved at the Shareholders' Meetings.

##### **(2) Date of Grant**

The Date of Grant of the Share Options (other than Reserved Share Options) shall be determined by the Board within 60 days after the approval of the Revised Share Option Incentive Scheme by the Shareholders at the Shareholders' Meetings. The Date of Grant shall be a trading day (excluding the period during which no Share Options shall be granted pursuant to the requirements under the laws and regulations (including Rule 17.05 of the Hong Kong Listing Rules)). The Board shall grant the Share Options to the Participants on the Date of Grant and complete the relevant announcement and registration procedures.

##### **(3) Vesting Period**

The Vesting Period of the Revised Share Option Incentive Scheme is two years from the Date of Grant.

**(4) Exercise period and exercise date**

The exercise period of the Share Options under the Revised Share Option Incentive Scheme shall be a term of seven years commencing from the Date of Grant. Share Options not exercised within seven years from the Date of Grant shall lapse automatically. Subject to the satisfaction of the Conditions of Exercise, the Share Options granted under the Revised Share Option Incentive Scheme will be exercisable in three tranches after the expiration of the Vesting Period in accordance with the following arrangement:

<b>Exercise period</b>	<b>Duration</b>	<b>Proportion of Share Options exercisable to the total number of Share Options granted</b>
First exercise period	Commencing on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant.	1/3
Second exercise period	Commencing on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant.	1/3
Third exercise period	Commencing on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant.	1/3

The exercise date of the Share Options shall be a trading day and shall not fall within any of the following periods:

- (i) the period commencing from 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the annual report or interim report of the Company due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day immediately preceding the publication date;

- (ii) the period commencing from 10 days prior to the publication of the announcements of estimated results and preliminary results of the Company;
- (iii) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Shares and their derivatives or the date on which relevant decision-making procedures commence, and ending on the second trading day following the making of relevant disclosure in accordance with laws; and
- (iv) other periods as stipulated by the CSRC, the Stock Exchanges and applicable laws and regulations.

**(5) Lock-up restrictions**

The A Shares acquired by the Participants pursuant to the exercise of the Share Options under the Revised Share Option Incentive Scheme are subject to the lock-up restrictions in accordance with the Company Law, the Securities Law, the relevant laws, regulations and regulatory documents and the Articles of Association, details of which are set out as follows:

- (i) where the Participant is a Director or a member of the senior management of the Company, the number of Shares which may be transferred by the Participant each year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the Participant shall not transfer any Shares held by him/her within six months after his/her resignation;
- (ii) not less than 20% of the total number of the Share Options granted to a Participant, who is a Director or a member of the senior management of the Company, shall be reserved and only become exercisable after he/she has passed his/her performance appraisal for his/her tenure of office, and if upon the expiration of the Validity Period, the Participant's tenure of service has not completed, he/she may exercise the Share Options within the Validity Period, subject to the satisfaction of the Conditions of Exercise determined with reference to his/her performance appraisal results for the corresponding year of the expiration of the Validity Period; and
- (iii) where the Participant is a Director or a member of senior management of the Company and he/she sells the Shares within six months of the acquisition or buys back Shares within six months of disposition, all gains arising therefrom shall be vested with the Company and the Board will collect all such gains.

If, during the Validity Period, there is any amendment to the requirements regarding the Share transfer by a Director and/or a member of the senior management of the Company under the Company Law, the Securities Law, the relevant laws, regulations and regulatory documents and the Articles of Association, the amended restrictions shall apply.

**5. EXERCISE PRICE AND BASIS OF DETERMINATION**

The exercise price of the Share Options to be granted under the Revised Share Option Incentive Scheme shall be RMB2.52 per A Share. Subject to the satisfaction of the Conditions of Exercise, each Share Option entitles the Participant to acquire one A Share at RMB2.52 per A Share.

The exercise price of the Shares Options was determined in accordance with the relevant requirements under the laws and regulations of the PRC and the requirements of the relevant regulatory authorities in the PRC and represents the higher of the following:

- (i) the average trading price of the A Shares on the last trading day immediately preceding the date of announcement of the Share Option Incentive Scheme, being approximately RMB2.52 per A Share;
- (ii) the average trading price of the A Shares for the 20 trading days immediately preceding the date of the announcement of the Share Option Incentive Scheme being approximately RMB2.50 per A Share; and
- (iii) the par value of the A Shares, being RMB1.00 per A Share.

The initial exercise price of RMB2.52 will be adjusted in the event of distribution of dividends, capitalization issue, bonus issue, sub-division or consolidation of Shares or rights issue of the Company since the Date of Grant and before the exercise of the Share Options, further details of which are set out in the section headed “Proposed Adoption of the Revised Share Option Incentive Scheme – 7. Methods and procedures for adjustments to the number and the exercise price of the Share Options”.

**6. CONDITIONS OF GRANT AND CONDITIONS OF EXERCISE****(1) Conditions of Grant**

The following conditions must be satisfied before the Share Options are granted to a Participant:

- (i) none of the following circumstances in relation to the Company having occurred:
  - (a) issue of the financial and accounting report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
  - (b) issue of the financial report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion with respect to internal control;

- (c) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association or any public undertakings during the past 36 months after listing;
  - (d) prohibition from implementation of share option incentive schemes under laws and regulations; and
  - (e) other circumstances as determined by the CSRC;
- (ii) none of the following circumstances in relation to the Participant having occurred:
- (a) having obtained an assessment grade below “qualified” in his/her performance appraisal for the financial year immediately preceding the grant of the Share Options pursuant to the Appraisal Measures; and
  - (b) any circumstance where a person shall not participate in the Revised Share Option Incentive Scheme as set out in the section headed “Proposed Adoption of the Revised Share Option Incentive Scheme – 2. Basis of determining the Participants and the scope of the Participants”;
- (iii) the audited financial results of the Company for the financial year immediately preceding the Date of Grant having satisfied all of the following conditions:
- (a) the EOE for the financial year ended 31 December 2018 shall not be less than (i) 45%; (ii) the average EOE for the past three years; and (iii) the 50th percentile of the EOE of the Peer Benchmark Companies for the financial year ended 31 December 2018;
  - (b) based on the results of the Company for the financial year ended 31 December 2016, the compound growth rate on the operating revenue of the Company for the financial year ended 31 December 2018 shall not be less than (i) 2%; and (ii) the 50th percentile of such rate of the Peer Benchmark Companies for the financial year ended 31 December 2018; and
  - (c) the EVA for the financial year immediately preceding the grant of the Share Options shall reach the target assigned by COSCO SHIPPING.

**(2) Conditions of Exercise**

The following conditions must be satisfied before the Share Options become effective and exercisable by the Participant (including Participant of the Reserved Share Options) pursuant to the terms of the Revised Share Option Incentive Scheme:

- (i) none of the following circumstances in relation to the Company having occurred:
  - (a) issue of the financial and accounting report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
  - (b) issue of the financial report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion with respect to internal control;
  - (c) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association or any public undertakings during the past 36 months after listing;
  - (d) prohibition from implementation of share option incentive schemes under relevant laws and regulations; and
  - (e) other circumstances as determined by the CSRC;
- (ii) none of the following circumstances in relation to the Participant having occurred:
  - (a) any circumstance where a person shall not participate in the Revised Share Option Incentive Scheme as set out in the section headed “Proposed Adoption of the Revised Share Option Incentive Scheme – 2. Basis of determining the Participants and the scope of the Participants”;
- (iii) the Company having achieved the following performance targets for the respective exercise period, and none of the circumstances as stipulated in the relevant requirements of the SASAC and the CSRC that the Share Options shall not become effective having occurred:

**Exercise period****Performance targets**

First exercise period

- (a) The EOE for the financial year ending 31 December 2020 shall not be less than (i) 46.5%; and (ii) the 75th percentile of the EOE of the Peer Benchmark Companies for the corresponding period;

<b>Exercise period</b>	<b>Performance targets</b>
	<p>(b) based on the results of the Company for the financial year ended 31 December 2018, the compound growth rate on the operating revenue of the Company for the financial year ending 31 December 2020 shall not be less than (i) 6.5%; and (ii) the 75th percentile of such rate of the Peer Benchmark Companies for the corresponding period; and</p> <p>(c) the EVA for the financial year ending 31 December 2020 shall reach the target assigned by COSCO SHIPPING and the change in EVA as compared to the previous period is greater than 0.</p>
Second exercise period	<p>(a) The EOE for the financial year ending 31 December 2021 shall not be less than (i) 47%; and (ii) the 75th percentile of the EOE of the Peer Benchmark Companies for the corresponding period;</p> <p>(b) based on the results of the Company for the financial year ended 31 December 2018, the compound growth rate on the operating revenue of the Company for the financial year ending 31 December 2021 shall not be less than (i) 7%; and (ii) the 75th percentile of such rate of the Peer Benchmark Companies for the corresponding period; and</p> <p>(c) the EVA for the financial year ending 31 December 2021 shall reach the target assigned by COSCO SHIPPING and the change in EVA as compared to the previous period is greater than 0.</p>
Third exercise period	<p>(a) The EOE for the financial year ending 31 December 2022 shall not be less than (i) 47.5%; and (ii) the 75th percentile of the EOE of the Peer Benchmark Companies for the corresponding period;</p>



**Exercise period****Performance targets**

- (b) based on the results of the Company for the financial year ended 31 December 2018, the compound growth rate on the operating revenue of the Company for the financial year ending 31 December 2022 shall not be less than (i) 7.5%; and (ii) the 75th percentile of such rate of the Peer Benchmark Companies for the corresponding period; and
- (c) the EVA for the financial year ending 31 December 2022 shall reach the target assigned by COSCO SHIPPING and the change in EVA as compared to the previous period is greater than 0.
- (iv) the Participant having obtained an assessment grade of “qualified” or above in his/her performance appraisal for the financial year immediately preceding the exercise of the Share Options pursuant to the Appraisal Measures with details as follow:

<b>Individual assessment grade</b>	<b>Proportion of Share Options which will become exercisable to the total number of Share Options under the respective tranche</b>
Excellent	100%
Competent	100%
Qualified	60%
Disqualified	0%

If the Conditions of Exercise are not satisfied for the relevant exercise period, the respective proportion of the Share Options shall lapse.

**7. METHODS AND PROCEDURES FOR ADJUSTMENTS TO THE NUMBER AND THE EXERCISE PRICE OF THE SHARE OPTIONS****(1) Adjustments to the number of the Share Options**

In the event of capitalization issue, bonus issue, sub-division or consolidation of Shares or rights issue of the Company since the Date of Grant and before the exercise of the Share Options, the number of the Share Options shall be adjusted in the following manner:

**(i) Capitalization issue, bonus issue and sub-division of Shares**

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

where,

- (a)  $Q_0$  is the number of the Share Options before the adjustment;
- (b)  $N$  is the ratio of increase per Share resulting from the capitalization issue, bonus issue and sub-division of Shares, which represents the number of Shares being issued upon capitalization issue, bonus issue or sub-division of Shares for each Share; and
- (c)  $Q$  is the number of the Share Options after the adjustment.

**(ii) Consolidation of Shares**

$$Q = Q_0 \times N$$

where,

- (a)  $Q_0$  is the number of the Share Options before the adjustment;
- (b)  $N$  is the ratio of consolidation of Shares, which represents the number of Shares after consolidation for each Share; and
- (c)  $Q$  is the number of the Share Options after the adjustment.

**(iii) Rights issue**

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

where,

- (a)  $Q_0$  is the number of the Share Options before the adjustment;

- (b)  $P_1$  is the closing price as at the record date;
- (c)  $P_2$  is the subscription price of the rights issue;
- (d)  $N$  is the basis of the rights issue, which represents the ratio of the number of Shares to be issued under the rights issue to the total issued Share capital of the Company before the rights issue; and
- (e)  $Q$  is the number of the Share Options after adjustment.

No adjustment shall be made to the number of the Share Options in the event of issuance of additional Shares by the Company.

## (2) Adjustments to the exercise price of the Share Options

In the event of distribution of dividends, capitalization issue, bonus issue, sub-division or consolidation of Shares or rights issue of the Company since the Date of Grant and before the exercise of the Share Options, the exercise price of the Share Options shall be adjusted in the following manner:

### (i) *Capitalization issue, bonus issue and sub-division of Shares*

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

where,

- (a)  $P_0$  is the exercise price of the Share Options before the adjustment;
- (b)  $N$  is the ratio of increase per Share resulting from the capitalization issue, bonus issue and sub-division of Shares; and
- (c)  $P$  is the exercise price of Share Options after the adjustment.

### (ii) *Consolidation of Shares*

$$P = P_0 \div N$$

where,

- (a)  $P_0$  is the exercise price of the Share Options before the adjustment;
- (b)  $N$  is the ratio of consolidation of Shares; and
- (c)  $P$  is the exercise price of the Share Options after the adjustment.

*(iii) Distribution of dividends*

$$P = P_0 - V$$

where,

- (a)  $P_0$  is the exercise price of the Share Options before the adjustment;
- (b)  $V$  is the amount of dividend for each Share; and
- (c)  $P$  is the exercise price of the Share Options after the adjustment.

*(iv) Rights issue*

$$P = P_0 \times (P_1 + P_2 \times N) / (P_1 \times (1 + N))$$

where,

- (a)  $P_0$  is the exercise price of the Share Options before the adjustment;
- (b)  $P_1$  is the closing price as at the record date;
- (c)  $P_2$  is the subscription price of the rights issue;
- (d)  $N$  is the basis of the rights issue, which represents the ratio of the number of Shares to be issued under the rights issue to the total issued Share capital of the Company before the rights issue; and
- (e)  $P$  is the exercise price of the Share Options after adjustment.

No adjustment shall be made to the exercise price of the Share Options in the event of issuance of additional Shares by the Company.

**(3) Adjustment procedures**

The Board shall be authorised by the Shareholders at the Shareholders' Meetings to adjust the number and the exercise price of the Share Options under the Revised Share Option Incentive Scheme upon the occurrence of any of the abovementioned circumstances. After the adjustment is made, the Board shall report to the state-owned assets supervision authority, publish an announcement and notify the Participants in respect of the adjustment in a timely manner.

Any adjustment to the number, exercise price or other terms of the Share Options due to other reasons, after being reviewed by the Board, shall be submitted to the Shareholders' Meetings for the Shareholders' consideration and approval before implementation.

In the event of any adjustment to the Revised Share Option Incentive Scheme, the independent non-executive Directors and the Supervisory Committee shall express independent opinion on whether the adjusted Revised Share Option Incentive Scheme is beneficial to the sustainable development of the Company and whether there exists circumstances where the interests of the Company and the Shareholders as a whole would be prejudiced. The Company shall engage legal advisers to advise the Board on whether the adjustment is in compliance with the Administrative Measures, the Articles of Association, the Revised Share Option Incentive Scheme and the relevant laws and regulations.

## **8. ARRANGEMENTS FOR CHANGES UNDER THE REVISED SHARE OPTION INCENTIVE SCHEME**

### **(1) Changes in relation to the Participant**

- (i) Upon the occurrence of any of the following in relation to a Participant, all his/her Share Options which are exercisable but not yet exercised shall cease to be exercisable and the Share Options which are not yet exercisable shall lapse forthwith on the date of occurrence, and the Board shall recover the gain of the Participant from the Revised Share Option Incentive Scheme:
  - (a) the results of the economic responsibility audit and other reports indicate that he/she has failed to perform duties effectively or is involved in serious misconduct or malfeasance;
  - (b) having contravened the PRC laws and regulations or the provisions of the Articles of Association; or
  - (c) having, during his/her tenure of office, involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, connected transactions and other unlawful acts and misconducts, which prejudice the interest and reputation of and cause significant negative impact to the Company, thereby resulting in significant economic loss to the Company.
- (ii) Upon the occurrence of any of the following in relation to a Participant, all his/her Share Options which are exercisable but not yet exercised shall cease to be exercisable and the Share Options which are not yet exercisable shall lapse forthwith on the date of occurrence:
  - (a) having been declared as an unsuitable candidate by the Shanghai Stock Exchange in the past 12 months;

- (b) having been declared as an unsuitable candidate by the CSRC or its agencies in the past 12 months;
  - (c) having been imposed with administrative penalties or prohibited from entering the market by the CSRC or its agencies in the past 12 months due to material non-compliance with laws and regulations;
  - (d) being prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
  - (e) his/her service contract having been terminated by the Company or there have been a change of job position, as a result of his/her unfitness for the position, failure to pass performance appraisal, involvement in non-compliance with laws, violation of professional ethics, leakage of confidential information of the Company, dereliction of duty, malfeasance or other acts which prejudice the interest or reputation of the Company;
  - (f) becoming an independent non-executive Director, Supervisor or other persons who cannot hold Shares or Share Options;
  - (g) other circumstances which materially violate relevant rules of the Company or materially prejudice the interest of the Company as determined by the Board;
  - (h) having been prohibited from participating in share option incentive schemes of listed companies under relevant laws, administrative regulations or departmental rules; or
  - (i) other circumstances as determined by the Remuneration Committee.
- (iii) Upon the occurrence of any of the following in relation to a Participant, all his/her Share Options which are exercisable but not yet exercised shall remain exercisable and shall be exercised within six months after the occurrence of such circumstance(s), and the Share Options which are not yet exercisable shall lapse:
- (a) having been dismissed by the Company or the employment relationship between the Participant and the Company having been terminated due to objective reasons;
  - (b) the Company proposing not to renew the labor contract or employment contract when it expires;
  - (c) the Participant having reached the retirement age pursuant to PRC laws and the rules of the Company and left his/her position due to retirement;

- (d) upon the death of a Participant, his/her Share Options which are exercisable but not exercised shall remain exercisable and shall be exercised within six months by his/her designated successors or legal successors, and his/her Share Options which are not exercisable shall lapse;
  - (e) the Participant no longer holding a position in COSCO SHIPPING and its subsidiaries due to special assignments, and during the year of occurrence he/she having worked in the Company, its subsidiaries and investees for more than three months and passed the personal performance appraisal; or
  - (f) other circumstances as determined by the Remuneration Committee.
- (iv) Upon the occurrence of any of the following in relation to a Participant, all his/her Share Options which have not been exercised shall lapse forthwith on the date of occurrence:
- (a) having tendered his/her resignation unilaterally; or
  - (b) having been dismissed by the Company due to personal reasons of the Participant.
- (v) Upon the occurrence of any of the following in relation to a Participant, all his/her Share Options which are exercisable but not yet exercised shall remain exercisable and other Share Options granted shall remain valid and exercisable in accordance with the terms of the Revised Share Option Incentive Scheme:
- (a) the Participant having changed his/her job position but still holding a position in the Company, its subsidiaries and investees;
  - (b) incapacity of the Participant due to injuries sustained as a result of performance of his/her duties; or
  - (c) the Participant having been transferred to COSCO SHIPPING or its subsidiaries, but still having important synergy with the Company after the job transfer and remaining responsible for following up on the previous duties before the job transfer.

Upon occurrence of the circumstance as stated in sub-paragraph (c) above, the Share Options held by such Participant which are exercisable but not yet exercised shall remain valid and exercisable in accordance with the terms of the Revised Share Option Incentive Scheme, and the Board shall authorise the independent non-executive Directors who are members of the Remuneration Committee to determine

whether all or part of the Share Options held by such Participant which have not become exercisable shall remain valid in accordance with the terms of the Revised Share Option Incentive Scheme.

- (vi) Other unspecified circumstances and the respective handling methods shall be determined by the Remuneration Committee.

**(2) Change of circumstances of the Company**

- (i) Upon the occurrence of any of the following in relation to the Company, the Board shall be authorised at the Shareholders' Meetings to determine, in accordance with the magnitude of changes in the relevant conditions, the continual implementation, revision, suspension or termination of the Revised Share Option Incentive Scheme, except for the rights required to be exercised at the Shareholders' Meetings as stipulated in the relevant laws, administrative regulations, departmental rules or regulatory documents:
  - (a) change of control of the Company (where, pursuant to Article 40(1) of the Trial Measures, control shall mean the control of the financial and operational decision making of the Company under the Articles of Association or agreements);
  - (b) merger or demerger of the Company; or
  - (c) other material changes of the Company.
- (ii) Upon the occurrence of any of the following in relation to the Company, the Revised Share Option Incentive Scheme shall be terminated. Share Options which are exercisable but not yet exercised by the Participants shall cease to be exercisable and the Share Options which are not yet exercisable shall be cancelled by the Company:
  - (a) issue of the financial and accounting report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
  - (b) issue of the financial report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion with respect to internal control;
  - (c) prohibition from implementation of share option incentive schemes by laws, administrative regulations or departmental rules; or
  - (d) any circumstances as determined by the CSRC.



**9. AMENDMENTS AND TERMINATION OF THE REVISED SHARE OPTION INCENTIVE SCHEME****(1) Amendments to the Revised Share Option Incentive Scheme**

The Board may make amendments to the Revised Share Option Incentive Scheme and submit to relevant regulatory authorities for filing in accordance with the relevant requirements of laws and regulations. In case of any discrepancies between the terms of the Revised Share Option Incentive Scheme and the requirements of relevant laws, regulations, agreements, the Stock Exchanges, or any changes in the requirements of relevant laws, regulations, agreements or the Stock Exchanges, such requirements of relevant laws, regulations, agreements or the Stock Exchanges shall prevail. If certain amendments to the Revised Share Option Incentive Scheme require the approval of the Shareholders at the Shareholders' Meetings and/or relevant regulatory authorities pursuant to the relevant requirements of laws, regulations, agreements or the Stock Exchanges, the Board must obtain such approval for the amendments to the Revised Share Option Incentive Scheme.

Any amendment to the Revised Share Option Incentive Scheme relating to the matters set out in Rule 17.03 of the Hong Kong Listing Rules and to the advantage of participants shall not be made without the prior approval of the Shareholders at the Shareholders' Meetings. Any alterations to the terms and conditions of the Revised Share Option Incentive Scheme which are of a material nature or any change to the terms of the Share Options granted must be approved by the Shareholders at the Shareholders' Meetings, except where the alterations take effect automatically under the existing terms of the Revised Share Option Incentive Scheme.

If the Company proposes any amendments to the Revised Share Option Incentive Scheme prior to the approval of the Revised Share Option Incentive Scheme by the Shareholders at the Shareholders' Meetings, the proposed amendments shall be subject to the approval of the Board.

If the Company proposes any amendments to the Revised Share Option Incentive Scheme after the approval of the Revised Share Option Incentive Scheme by the Shareholders at the Shareholders' Meetings (excluding the matters to be resolved by the Board as authorised by the Shareholders at the Shareholders' Meetings), an announcement shall be made in a timely manner and the proposed amendments shall be submitted to the Shareholders' Meetings for consideration, and the proposed amendments shall not:

- (i) result in acceleration in the exercise of Share Options or early release of lock-up restriction; or
- (ii) reduce the exercise price or price of grant of the Share Options.

The independent non-executive Directors and the Supervisory Committee shall express independent opinion on whether the amended Revised Share Option Incentive Scheme is beneficial to the sustainable development of the Company and whether there exists

circumstances where the interests of the Company and the Shareholders as a whole would be prejudiced. Legal advisers to the Company shall provide an opinion on whether the adjustment is in compliance with the Administrative Measures, the Articles of Association, the Revised Share Option Incentive Scheme and the relevant laws and regulations and whether there exists circumstances where the interests of the Company and the Shareholders as a whole would be prejudiced.

With respect to the Participants who have been granted with Share Options under the Revised Share Option Incentive Scheme, save with the prior consents of such Participants, the rights and obligations of such Participants shall not be changed or diminished by the amendments or suspension of the Revised Share Option Incentive Scheme.

## **(2) Termination of the Revised Share Option Incentive Scheme**

The Revised Share Option Incentive Scheme shall automatically terminate upon the expiration of the Validity Period, being 10 years from the date on which the Revised Share Option Incentive Scheme is approved at the Shareholders' Meetings.

If the Company proposes to terminate the Revised Share Option Incentive Scheme before the Revised Share Option Incentive Scheme is submitted to the Shareholders' Meetings for the Shareholders' consideration, such proposal shall be subject to the approval by the Board. If the Company proposes to terminate the Revised Share Option Incentive Scheme after the Revised Share Option Incentive Scheme is considered and approved by the Shareholders at the Shareholders' Meetings, such proposal shall be subject to the approval by the Shareholders at the Shareholders' Meeting. During the Validity Period, the Board may, if it considers necessary, propose a resolution to the Shareholders' Meetings for the early termination of the Revised Share Option Incentive Scheme.

In the event of an early termination of the Revised Share Option Incentive Scheme approved by the Shareholders at the Shareholders' Meeting or the automatic termination of the Revised Share Option Incentive Scheme upon the expiration of the Validity Period, the Company shall not grant any Share Options according to the Revised Share Option Incentive Scheme. Unless otherwise required, the Share Options granted prior to the termination of the Revised Share Option Incentive Scheme shall remain valid and exercisable in accordance with the terms of the Revised Share Option Incentive Scheme.

## **10. ACCOUNTING TREATMENT OF THE REVISED SHARE OPTION INCENTIVE SCHEME AND IMPACT ON THE OPERATING RESULTS OF THE COMPANY**

### **(1) Fair value of the Share Options**

According to the relevant requirements regarding the recognition of fair value under "Enterprise Accounting Standard No. 11 – Share-based Payment" (《企業會計準則第11號 – 股份支付》) and "Enterprise Accounting Standard No. 22 – Recognition and Measurement of

Financial Instruments” (《企業會計準則第22號 – 金融工具確認和計量》), the Company shall select an appropriate valuation model to determine the fair value of the Share Options. The Company has selected the Black-Scholes option pricing model and the date of the approval by the Board of the Share Option Incentive Scheme as the benchmark date to determine the fair value of the 79,627,003 Share Options to be granted under the Revised Proposed Initial Grant.

Based on the preliminary calculation by the Company, the estimated fair value of each Share Option is RMB1.02, and the aggregate estimated value of the 79,627,003 Share Options is RMB81,219,500. Details of the relevant parameters used are set out below:

Market price of the A Shares:	RMB2.52, being the fair market price of the A Shares determined pursuant to the requirements of the CSRC and the SASAC
Exercise price of the Share Options:	RMB2.52, being the exercise price of the Share Options determined pursuant to the requirements of the CSRC and the SASAC
Expected life:	Five years, being the weighted expected effective period calculated taking into account (i) the weighted expected effective period of the Share Options; and (ii) the total term of exercise period of seven years <sup>(Note 1)</sup>
Risk-free yield:	2.99%, being the five-year yield to maturity of the national bond rate
Expected volatility:	41.36%, based on the historical volatility rate of the price of the A Shares
Expected rate of dividend:	0.00% <sup>(Note 2)</sup>

*Notes:*

1. *The expected life of the Share Options is determined in accordance with the following formula:*

$$\text{Expected life} = 0.5 \times (\text{Weighted expected effective period of the Share Options} + \text{Total term of the exercise period of the Share Options})$$

*where the weighted expected effective period of the Share Options is determined in accordance with the following formula:*

$$\sum \text{Proportion of Share Options exercisable to the total number of Share Options granted} \times \text{Expected effective period of such proportion of Share Options}$$

*Accordingly, the expected life of the Share Options under the Revised Share Option Incentive Scheme shall be five years, which is calculated as follows:  $0.5 \times \{[(1/3) \times 2 + (1/3) \times 3 + (1/3) \times 4] + 7\} = 5$ .*

2. *According to the applicable valuation method and relevant requirements of the SASAC, as the adjustment mechanism to the exercise price of the Share Options upon occurrence of distribution of dividend is provided in the Revised Share Option Incentive Scheme, the expected rate of dividend shall not be taken into account in the determination of fair value of the Share Options.*

The preliminary calculation results of the value of the Share Options are subject to a number of assumptions of the parameters used therein and the limitation of the model adopted. Therefore, the estimated value of the Share Options may be subjective and uncertain.

**(2) Amortisation and impact on the operating results of the Company**

The costs of Share Options incurred under the Revised Share Option Incentive Scheme will be recorded as expenses in recurring profits and losses and will be amortised during the relevant periods in accordance with the applicable accounting standards.

Disregarding the stimulation effects of the Revised Share Option Incentive Scheme on the results of the Company, the Company is of the view that the amortisation of the costs of the Revised Share Option Incentive Scheme will have an impact on the net profits of the Company for each relevant financial year during the Validity Period, but such impact will not be significant.

**11. REVISED PROPOSED INITIAL GRANT UNDER THE REVISED SHARE  
OPTION INCENTIVE SCHEME**

Pursuant to the Revised Share Option Incentive Scheme, the Board proposed to grant Shares Options to 127 Participants, which comprises 9 Directors and senior management of the Company, 118 core management and business personnel of the Group under the Revised Proposed Initial Grant.

The total number of underlying A Shares in relation to the Share Options to be granted under the Revised Proposed Initial Grant shall be 79,627,003 A Shares, representing approximately 0.6860% of the existing total issued share capital of the Company and 1.0039% of the existing A Share capital of the Company as at the Latest Practicable Date.

**APPENDIX I**
**SUMMARY OF THE PRINCIPAL TERMS OF  
THE REVISED SHARE OPTION INCENTIVE SCHEME**

The allocation of the Share Options under the Revised Proposed Initial Grant is as set out below:

No.	Name of the Participant	Position of the Participant	Number of Share Options to be granted under the Revised Proposed Initial Grant	Approximate percentage of the number of Share Options to be granted to the Participant to the total number of Share Options under the Revised Share Option Incentive Scheme (%)	Approximate percentage of the number of the underlying A Shares to the total issued share capital of the Company as at the Latest Practicable Date (%)	Approximate percentage of the number of the underlying A Shares to the total issued share capital of the Company as at the Latest Practicable Date (%)
1	Wang Daxiong	Executive Director and Chairman of the Board	1,500,000	1.70	0.0129	0.0189
2	Liu Chong	Executive Director and general manager of the Company	1,490,100	1.68	0.0128	0.0188
3	Xu Hui	Executive Director and deputy general manager of the Company	1,490,100	1.68	0.0128	0.0188
4	Lin Feng	Chief accountant of the Company	1,264,300	1.43	0.0109	0.0159
5	Ming Dong	Deputy general manager of the Company	1,264,300	1.43	0.0109	0.0159
6	Zuo Guodong	Secretary of the disciplinary committee of the Company	1,264,300	1.43	0.0109	0.0159
7	Du Haiying	Deputy general manager of the Company	1,264,300	1.43	0.0109	0.0159
8	Peng Hongmin	Safety director	975,700	1.10	0.0084	0.0123
9	Cai Lei	Secretary of the Board	629,400	0.71	0.0054	0.0079
	Core management and business personnel at the headquarters (33 Participants)		19,003,201	21.48	0.1637	0.2396
	Core management and business personnel of the subsidiaries of the Company (85 Participants)		49,481,302	55.93	0.4263	0.6238
	<b>Total (127 Participants)</b>		<b>79,627,003</b>	<b>90.00</b>	<b>0.6860</b>	<b>1.0039</b>
	<b>Reserved Share Options</b>		<b>8,847,445</b>	<b>10.00</b>	<b>0.0762</b>	<b>0.1115</b>
	<b>Total</b>		<b>88,474,448</b>	<b>100.00</b>	<b>0.7622</b>	<b>1.1154</b>

*The Management Measures was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.*

COSCO SHIPPING Development Co., Ltd. (hereafter referred to as “**COSCO SHIPPING Development**” or the “**Company**”) has specifically formulated the “Share Option Incentive Scheme of COSCO SHIPPING Development Co., Ltd. (Draft)”\* (《中遠海運發展股份有限公司股票期權激勵計劃(草案)》) (hereafter referred to as the “**Share Option Scheme**”) in order to maximize shareholders’ value and preserve and increase the value of state-owned assets, share benefits and bear risks together, fully incentivize the senior management and core management and key employees of the Company, attract and retain outstanding management talents and key employees necessary to achieve the strategic targets of the Company, facilitate the realization of the long-term strategic targets of the Company by establishing and improving a long-term incentive mechanism. In order to ensure the smooth implementation of the Share Option Scheme, the Management Measures of the Share Option Incentive Scheme are formulated, having taken into account the internal management system of the Company, in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the “Trial Measures for Implementing Share Incentive System 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)), the “Notice on Issues Concerning Regulating the Implementation of the Share 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)), and the “Notice on Matters Concerning Further Improving Share Incentive Work of the State-Owned Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102)”\* (《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(國資發考分規[2019]102號)) issued by the SASAC of the State Council, the “Administrative Measures on Share Incentives of Listed Companies”\* (《上市公司股權激勵管理辦法》) and the “Decisions on Amending the Administrative Measures on Share Incentives of Listed Companies”\* (《關於修改<上市公司股權激勵管理辦法>的決定》) issued by the CSRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as other relevant laws, regulations and regulatory documents, and the Articles of Association of COSCO SHIPPING Development.

## Chapter I General Provisions

### Article 1 Purposes

To clarify the rights and obligations of management by the relevant internal organizations and departments of COSCO SHIPPING Development on matters relating to the Share Option Scheme and its implementation, reasonably establish management system and procedure, and ensure the smooth implementation of the Share Option Scheme.

**Article 2 Principles**

The rights and obligation of and procedures for the management of the Share Option Scheme of COSCO SHIPPING Development shall be subject to the principle of compliance with laws and the principle of openness and transparency. The Company shall manage the Share Option Scheme in strict compliance with the Management Measures, and the relevant organizations and departments of the Company shall actively cooperate and collaborate to effectively promote the implementation of the Share Option Scheme.

**Article 3 Main management organizations and departments**

- (I) The management organizations of the Share Option Scheme include the Shareholders' Meetings, the Board and the Remuneration Committee;
- (II) The Supervisory Committee is the supervisory body of the Share Option Scheme;
- (III) The executive departments for matters relating to the Share Option Scheme include: securities and public relations department, human resources department, finance department, legal and risk management department, supervision and audit department etc.

**Chapter II Principal Responsibilities of Organizations and Departments****Article 4 Management organization of the Share Option Scheme**

The organizations and departments involved in management and implementation of the Share Option Scheme include the Shareholders' Meetings, the Board and the Remuneration Committee, whose main responsibilities are as follows:

- (I) The Shareholders' Meetings, as the highest authority of the Company, are responsible for considering and approving the implementation, revision and termination of the Share Option Scheme.
- (II) The Board is the execution and management body of the Share Option Scheme, whose main responsibilities are as follows:
  - 1. responsible for reviewing the Share Option Scheme formulated and amended by the Remuneration Committee and submitting the same to the Shareholders' Meetings for approval;
  - 2. responsible for granting the Share Options to the eligible Participants, and reviewing the exercisability and the exercise of the Share Options in accordance with effective arrangements and performance conditions;

3. responsible for reviewing the adjustment arrangement to the exercise price and number of Share Options granted;
4. responsible for reviewing other necessary matters required for the implementation of the Share Option Scheme.

(III) The Remuneration Committee, as authorised by the Board, is responsible for:

1. formulating the Share Option Scheme;
2. considering the Conditions of Exercise for Share Options granted;
3. formulating and revising the Appraisal Measures and the Management Measures of the Share Option Scheme, and reporting the same to the Board and the Shareholders' Meetings for approval.

#### **Article 5 Supervisory body of the Share Option Scheme**

The Supervisory Committee is the supervisory body of the Share Option Scheme, whose main responsibilities are as follows:

- (I) responsible for verifying the list of Participants and monitoring whether the implementation of the Share Option Scheme is in compliance with the relevant laws, administrative regulations, departmental rules, regulatory documents and the rules of the stock exchange(s);
- (II) monitoring work including the organizing and managing work of the Remuneration Committee, the performance appraisal of the Company and the Participants, whether the Share Option Scheme is executed in accordance with internal procedures, and verifying the list of the Participants (authorised persons, eligibility for the grant and quantity to be granted).



**Article 6 Executive organizations of the Share Option Scheme**

The executive organizations of the Share Option Scheme include the securities and public relations department, the human resources department, the finance department, the legal and risk management department and the supervision and audit department, whose main responsibilities are as follows:

***(I) Securities and public relations department***

1. responsible for communicating with the capital market, the Shareholders and the media on implementation of the Share Option Scheme;
2. responsible for reporting to the securities regulatory authorities on implementation of the Share Option Scheme, and preparing information disclosure documents in accordance with the relevant regulatory requirements;
3. responsible for proposing the Date of Grant to the Board, and calculating the exercise price of the Share Options on the Date of Grant as determined by the resolution of the Board;
4. responsible for compiling statistics of the actual value achieved in annual performance indicators of the Peer Benchmark Companies, and analyzing and evaluating the satisfaction of the Conditions of Grant and the Conditions of Exercise;
5. responsible for formulating the adjustment to the exercise price and number of the Share Options granted under the Share Option Scheme;
6. responsible for reporting the implementation progress of share option incentive work to the Remuneration Committee on a regular basis;
7. responsible for organizing and convening the Remuneration Committee's meetings, the Board meetings and the Shareholders' Meetings to review the Share Option Scheme and related resolutions;
8. responsible for organizing daily communication and consultation of the Participants.

***(II) Human Resources Department***

1. responsible for formulating the Share Option Scheme, and formulating key areas such as the scope of the grant, the number of Share Options to be granted, the exercise arrangements, the Conditions of Grant and the Conditions of Exercise;

2. responsible for the daily management of the Share Option Scheme, and organizing the implementation of the Grant and the exercise of the Share Options;
3. responsible for reviewing the eligibility of the Participants, for the grant and exercise of the Share Options and the number of the Share Options becoming exercisable, and responsible for arranging the signing of the grant documents;
4. responsible for consolidating the individual annual performance appraisal results of the Participants;
5. responsible for organizing the exercise of the Share Options by the Participants;
6. responsible for counting and verifying the number of the Share Options which become exercisable, the number of the Share Options lapsed, the number of the Share Options exercised and the actual gains of the Participants;
7. responsible for the accounting management, recording and counting of the grant, exercisability, amendments, lapse and exercise of the Share Options;
8. responsible for notifying the securities and public relations department in respect of the implementation of the Share Option Scheme;
9. responsible for drafting relevant grant documents, delivering grant documents, and collecting the signed grant documents;
10. responsible for maintenance of all files and documents relating to the Share Option Scheme and other archive management.

***(III) Finance department***

1. responsible for auditing the actual achievements of the annual performance targets of the Company, and submitting the same to the securities and public relations department;
2. responsible for regularly reporting valuation of the granted Share Options and related accounting treatment of the Company after the grant;
3. responsible for assisting the human resources department in calculating the actual gains of the Participants from exercising the Share Options, including the calculation of the part of actual gains of the Participant exceeding 40% of the total remuneration level of such Participant at the time of the grant of such Share Options;

4. responsible for payment of the actual gains of the Participants from exercising the Share Options and related accounting treatment;
5. responsible for withholding and remitting of the individual income tax of the Participants.

***(IV) Legal and risk management department***

The legal and risk management department is responsible for interpreting and advising on legal issues relating to the Share Option Scheme, and reviewing, maintaining and managing relevant legal documents.

***(V) Supervision and audit department***

The supervision and audit department is responsible for the audit and supervision of the Share Option Scheme. The contents of audit and supervision mainly include the total number of the Share Options to be granted, the number of Share Options to be granted to individual Participant, the amount of the Share Options which become exercisable, and whether the actual gains from exercising the Share Options exceed the prescribed limit.

**Chapter III Implementation Procedure for the Share Option Scheme**

**Article 7 Formulation and approval procedures for the Share Option Scheme**

Before officially implementing the Share Option Scheme, the Company shall submit the scheme and relevant documents to the state-owned assets supervision and administration authority for approval, subject to the approval by the Board and Shareholders' Meetings of the Company. The procedures for the reporting and review of state-controlled listed companies for implementing share incentives are as follows:

- (I) The Remuneration Committee shall be responsible for formulating the draft of the incentive scheme and submitting the same to the Board for review;
- (II) The Board shall review and approve the draft of the incentive scheme, and the Directors who are the Participants or are connected therewith shall abstain from voting;
- (III) Independent non-executive Directors and the Supervisory Committee shall issue independent opinions on whether the incentive scheme is beneficial to the sustainable development of the Company and whether there is any obvious impairment to the interests of the Company and the Shareholders as a whole. If a Participant is the chief executive or a substantial Shareholder of the Company or their respective associates (as defined in the Hong Kong Listing Rules), the proposed grant shall first be approved by independent non-executive Directors;
- (IV) The Supervisory Committee shall verify the list of Participants (including the Participants, eligibility and number of the Share Options to be granted);

- (V) The Company shall conduct self-examination on insider dealing of the Shares and their derivative products within 6 months before publication of the announcement of the draft of the Share Option Incentive Scheme, and indicate if any insider trading activities exist. If any insider trades in the Shares, he/she shall not be a Participant, except where the laws, administrative regulations and relevant judicial interpretations stipulate that it is not insider trading. If anyone leaks inside information which has caused insider trading, he/she shall not be a Participant;
- (VI) The Board will announce the Board resolutions, the draft incentive scheme and its abstract, and the opinions of Independent Directors within 2 trading days after the draft incentive scheme is considered and approved;
- (VII) The Company will hire a lawyer to issue a legal opinion on the Share Option incentive scheme;
- (VIII) The Group will submit the Share Option Scheme considered and approved by the Board to the state-owned assets supervision and administration authority for approval;
- (IX) After obtaining approval from the state-owned assets supervision and administration authority for the Share Option Incentive Scheme, the Company will issue a notice to convene a Shareholders' Meeting, and also announce the legal opinion in respect of the matters relating to the incentive scheme;
- (X) The Independent Directors will solicit voting rights from all shareholders in connection with the relevant resolutions in relation to the incentive scheme;
- (XI) Prior to the Shareholders' Meetings of the Company, the name and position of the Participants will be published internally within the Company through the website of the Company or other means for 10 days;
- (XII) The Supervisory Committee shall review the Participants list and take sufficient consideration of public opinions. The Company shall disclose the explanation of review and publication of the Participants list by the Supervisory Committee within 5 days before the Share Option Incentive Scheme is considered at the Shareholders' Meetings;
- (XIII) The incentive scheme will be considered at the Shareholders' Meetings, and the Supervisory Committee shall explain the verification of the Participants list at the Shareholders' Meetings;
- (XIV) During the voting process of the Share Option Scheme at the Shareholders' Meetings, the Company shall provide the choice of voting via the Internet and the Share Option Incentive Scheme shall be passed by more than 2/3 of the voting rights held by the Shareholders present at the Shareholders' Meetings;

- (XV) The Share Option Scheme can be implemented immediately after being considered and approved at the Shareholders' Meetings. The Board will specifically handle the granting and registration of Share Options according to the authorization of the Shareholders' Meetings.

**Article 8 Procedures of determining Participants and the amount of the Share Options to be granted**

***(I) Nomination of Participants***

In accordance with the Share Option Scheme and the Company's business development priorities, the human resources department shall preliminarily propose the scope of the Participants for review by the Remuneration Committee;

***(II) Determination of Participants***

The Board shall determine the number and list of Participants in accordance with the review results of the Remuneration Committee;

***(III) Verification on the list of Participants***

The Supervisory Committee of the Company shall verify the list of Participants in accordance with the scope and conditions as determined by the Share Option Scheme of the Company;

***(IV) Determination on the amount of the Share Options granted to its Participants***

The Board shall determine the amount of the Share Options granted to Participants in accordance with the relevant policies and regulations of securities regulatory authorities and the SASAC, and based on the operating status of the Company, the positions, total annual compensation and performance appraisal results of individual employees.

**Article 9 Procedures for the Grant of the Share Options**

- (I) The Remuneration Committee shall propose the plan for the grant of Share Options;
- (II) The Board shall consider the plan for the grant of Share Options and determine the Date of Grant and the exercise price pursuant to the scheme;
- (III) The Supervisory Committee shall verify whether the list of the Participants for granting the Share Options is within the scope of the Participants as approved at the Shareholders' Meetings;

- (IV) The human resources department of the Company shall issue the notice of grant of Share Options to the Participants on the Date of Grant, notifying the Participants of the date, the number and the exercise price, exercise arrangement and other relevant information of the Share Options granted;
- (V) The Participants shall prepare for the corresponding personal stock account information within the period specified in the notice of grant of Share Options and enter into the Share Options grant agreement with the Company to provide for the rights and duties of the relevant parties, if the acceptance of the grant of Share Options is confirmed. The Share Options grant agreement also serves as the proof of the grant of Share Options, which shall contain the name, identity card number, residence, communication methods, serial number, records of adjustments and exercise, signature and chop, date of issue, important notices and other information. If the Participants fail to make reply to or reply the waiver of the acceptance of the grant of Share Options within the prescribed period in accordance with the requirement of the notice of grant of Share Options, such grant shall be deemed as ineffective. The human resources department of the Company is responsible for the issuance and filing of the notice of grant of Share Options, the Share Options grant agreement and related receipts;
- (VI) If the human resources department of the Company received a copy of the Share Options grant agreement formally signed by the Participants within the prescribed time, such Share Options shall be deemed as being granted and accepted by the Participants. The Participants are not required to make any payment as consideration for accepting the Share Option Scheme in this regard;
- (VII) The human resources department of the Company shall prepare a Share Option Scheme management register pursuant to the status of the signing of agreements by the Participants, containing the name of the Participants, the number of the Share Options to be granted, the Date of Grant, the serial number of the Share Options Grant Agreement and other information, and complete the registration of the grant of Share Options with China Securities Depository and Clearing Corporation Limited;
- (VIII) The human resources department of the Company shall report such grant to the securities and public relations department;
- (IX) The securities and public relations department of the Company shall disclose the relevant information on such grant;
- (X) The human resources department of the Company shall report such grant to the SASAC for filing through the Group.

**Article 10 Determination Process of the Effectiveness and Invalidity of Share Options**

- (I) In each effective year, the finance department of the Company will analyze and judge the fulfillment of performance conditions for effectiveness of Share Options based on the Company's actual annual results in combination with the latest appraisal outcome of the Company for three years;
- (II) The human resources department shall consolidate the individual annual performance appraisal results of all Participants;
- (III) The human resources department shall, under the arrangement of Share Options in force, the achievement of the performance conditions for the exercise of Share Options of the Company and the individual annual performance appraisal results of the Participants, verify the number of effective and invalid Share Options, and submit them to the Remuneration Committee for review;
- (IV) The Remuneration Committee shall consider the number of effective and invalid Share Options;
- (V) The Board shall consider and determine the number of effective and invalid Share Options;
- (VI) The human resources department shall conduct ledger management on the number of effective and invalid Share Options;
- (VII) The human resources department shall inform the Participants of the number of effective and invalid Share Options;
- (VIII) The securities and public relations department shall disclose the information on the effectiveness or invalidity of Share Options.

**Article 11 Procedures for the exercise of the Share Options**

- (I) The Board shall consider and review whether the Conditions of Exercise attached to the Share Option Scheme have been satisfied before exercising Share Options by the Participants on each date of exercise. The independent Directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the Conditions of Exercise are fulfilled by the Participants or not;

- (II) The Remuneration Committee shall determine the actual effective ratio of this tranche of shares based on the Company's performance appraisal results of the previous full fiscal year and the performance appraisal results of the Participants, and inform in writing the Participants of the effective quantity and related terms of the Share Options. During the prescribed period before the Share Options taking effect, the human resources department of the Company shall inform the Participants by email of the relevant information regarding the effective date and effective quantity of the Share Options;
- (III) Each Participant may submit the application for exercising Share Options to the human resources department of the Company based on the cumulative number of shares in effect during the exercise period, confirming the quantity and price of the exercise, and make relevant payment for the exercise (purchase of shares). The Application for Exercising Share Options shall specify the number of the exercise (not higher than the number of exercisable options, otherwise it will be considered as an invalid application), the exercise price and the deal information of the Share Option holders;
- (IV) The Participants shall submit the exercise application to the Shanghai Stock Exchange once their exercise qualifications are confirmed by the human resources department and the supervision and audit department of the Company;
- (V) After confirmation by the Shanghai Stock Exchange, the Participants will, according to the Company's requirements, pay the exercise expenses to the Company's designated account for the certified public accountants' review and confirmation; the security companies will transfer the shares into the individual securities account of the Participants;
- (VI) The human resources department shall calculate the exercise gains of Share Options, and consolidate and tabulate the information on the number of exercised Share Options, outstanding and effective Share Options, and the exercise gains of the Participants;
- (VII) The finance department of the Company shall calculate the individual income tax of the Participants according to the exercise gains, and complete the accounting treatment of the exercise gains and the withholding and payment of the individual income tax;
- (VIII) The securities and public relations department of the Company shall disclose relevant information on exercise gains of Share Options in regular reports;
- (IX) The human resources department of the Company shall file the exercise of Share Options via the Group with the SASAC;



- (X) The Board shall have the right to cancel part of the exercisable Share Options of the Participants for the year by resolution if:
1. The certified auditor has issued an adverse opinion or a disclaimer of opinion for the annual financial report;
  2. The Supervisory Committee or the audit department has raised major objection to the Company's performance or annual financial report.

#### **Chapter IV Daily Management for Share Option Scheme**

##### **Article 12 Communication, consultation and complaint processing**

- (I) The human resources department shall be responsible for the update and release of communication materials, as well as consulting and answering questions;
- (II) The legal and risk management department shall be responsible for handling legal disputes and others.

##### **Article 13 Grant, effectiveness and exercise notifications and tracking of changes in Employee Share Options**

The human resources department shall be responsible for the release of relevant notices and recording of changes regarding the grant, effectiveness and exercise.

##### **Article 14 Accounting processing and taxation**

The finance department shall be responsible for the accounting processing and reconciliation of actions such as grant, exercise, tax treatment, and fund collection and payment.

##### **Article 15 Supervision, approval, information disclosure and filing**

Works such as supervision, approval, information disclosure and filing shall be accomplished by the securities and public relations department of the Company.

**Chapter V Internal Control Procedures of Share Option Scheme****Article 16 System and process control procedures**

- (I) The Board is the final interpretation and examination organization of the Share Option 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 17 Control on Implementation Procedures**

- (I) An independent information system will be used for minimizing human errors;
- (II) The validity and accuracy of the scheme will be guaranteed by training, consultancy and complaint systems.

**Chapter VI Supplementary Provisions**

**Article 18** The Management Measures shall take effect from the date of approval at the Shareholders' Meetings and shall be interpreted and revised by the Board.

**COSCO SHIPPING Development Co., Ltd.**  
January 2020

\* *For identification purposes only.*

*The Appraisal Measures was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.*

COSCO SHIPPING Development Co., Ltd. (hereafter referred to as “**COSCO SHIPPING Development**” or the “**Company**”) has specifically formulated the “Share Option Incentive Scheme of COSCO SHIPPING Development Co., Ltd. (Draft)”\* (《中遠海運發展股份有限公司股票期權激勵計劃(草案)》) (hereafter referred to as the “**Share Option Scheme**”) in order to maximize shareholders’ value and preserve and increase the value of state-owned assets, share benefits and bear risks together, fully incentivize the senior management and core management and business personnel of the Company, attract and retain outstanding management talents and core business personnel necessary to achieve the strategic targets of the Company, facilitate the realization of the long-term strategic targets of the Company by establishing and improving a long-term incentive mechanism. In order to ensure the smooth implementation of the Share Option Incentive Scheme upon the approval by the relevant authority, the Appraisal Measures are formulated, having taken into account the actual situation of the Company, in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the “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)), the “Notice on Issues concerning Regulating the Implementation of the Share 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)), the “Notice on Matters concerning Further Improving Share Incentive Work of the State-Owned Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102)”\* (《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(國資發考分規[2019]102號)), the “Administrative Measures on Share Incentives of Listed Companies”\* (《上市公司股權激勵管理辦法》) and the “Decisions on Amending the Administrative Measures on Share Incentives of Listed Companies”\* (《關於修改<上市公司股權激勵管理辦法>的決定》) issued by the CSRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as other relevant laws, regulations and regulatory documents, the “Share Option Incentive Scheme of COSCO SHIPPING Development Co., Ltd. (Draft)”\* (《中遠海運發展股份有限公司股票期權激勵計劃(草案)》) and the Articles of Association of COSCO SHIPPING Development.

## Chapter I General Provisions

### Article 1 Appraisal purposes

- (I) to improve the long-term incentive mechanism of COSCO SHIPPING Development that combines corporate incentives and restrictions, fully incentivize the Participants, including the senior management and core management personnel and key employees of the Company, encourage them to achieve joint development with the Company, and ensure the smooth implementation of the Share Option Scheme;

- (II) to provide reasonable and effective assessment basis for the qualification recognition of the Participants of the Share Option Incentive Scheme;
- (III) to provide performance-related basis for the grant and exercise of Share Options and the actual ratio of the Share Options granted to each Participant which can become exercisable;
- (IV) to practicably give full play to the incentive effects of the Share Option Scheme of COSCO SHIPPING Development, to incentivize its staff, achieve the purposes of the Share Option Scheme and support the high quality development of the Company, thus ensuring the preservation and appreciation of the value of state-owned assets.

#### **Article 2** Appraisal principles

The appraisal must adhere to the principles of impartiality, fairness and openness, and shall be objectively conducted in strict compliance with the Appraisal Measures and based on the work performance of the appraised targets, so as to realize the close linkage between the Share Option Incentive Scheme and the performance of the Company, the performance and behaviors of the Participants, which will maximize the value of the Company and interests of the Shareholders as a whole.

#### **Article 3** Scope of the Appraised Targets

The Appraisal Measures are applicable to all the Participants determined in the “Share Option Incentive Scheme of COSCO SHIPPING Development Co., Ltd. (Draft)”\* (《中遠海運發展股份有限公司股票期權激勵計劃(草案)》), including all the senior management and core management and business personnel of the Company who have direct impact on the operating results and continuous development of the Company and have accepted the grant of the Share Options.

### **Chapter II Responsibilities and Authorities for the Appraisal Organization**

**Article 4** The Board of COSCO SHIPPING Development is responsible for formulating and amending the Appraisal Measures, and shall authorize the Remuneration Committee of the Company to conduct appraisals.

**Article 5** The Remuneration Committee of COSCO SHIPPING Development is responsible for supervising the operation and guiding the implementation of the appraisal system throughout the Company, conducting appraisals on senior management, guiding to formulate and improve the appraisal system for other Participants and supervising the implementation of appraisals. Major operating results of the Company and the appraisal results of senior management will be reported to the Board for approval upon the review by the Remuneration Committee.

**Article 6** The Remuneration Committee of COSCO SHIPPING Development authorizes the strategy and development department, the finance department and the human resources department of the Company to implement appraisals. The strategy and development department is responsible for collecting appraisal-related information of senior management of the Company and evaluating such information pursuant to rules at the requests of the Board and the Remuneration Committee, conducting appraisals and evaluation on senior management of subsidiaries of the Company, and reviewing appraisal results. The Finance Department shall provide relevant financial information required for appraisal of the operating results of the Company and senior management, be responsible for the authenticity and reliability of the data, and guide the evaluation and review of relevant financial information of subsidiaries of the Company. The Human Resources Department is responsible for establishing, refining and implementing appraisal systems for the Participants other than senior management of the headquarter of the Company, guiding and supervising subsidiaries to establish effective appraisal systems, supervising the implementation of appraisals on the Participants other than senior management of the subsidiaries, and reviewing the appraisal results.

**Article 7** The human resources departments of subsidiaries of COSCO SHIPPING Development are responsible for improving and refining the appraisal system of the Company pursuant to the guidance of the overall appraisal system the Company, establishing and implementing the appraisals on the Participants other than senior management of the Company, and accepting the supervision and guidance of the headquarter of COSCO SHIPPING Development.

### Chapter III Appraisal System

#### **Article 8** Appraisal contents

- (I) Company: results reflecting shareholders' return, ability to maintain growth and operation quality;
- (II) Individual Participant: work performance and behavior of any appraised targets; and economic responsibility audit for persons serving as senior management.

#### **Article 9** Appraisal indicators

##### **(I) Company**

##### *1. Appraisal conditions at the time of grant of Share Options*

- (1) the EOE (after deduction of extraordinary items) for 2018 shall be not lower than 45%, the average EOE in the past three years and the 50th percentile of the Peer Benchmark Companies of 2018;

- (2) on the basis of the results of 2016, the compound growth rate of the operating revenue of 2018 shall be not lower than 2%, and the 50th percentile of the Peer Benchmark Companies of 2018;
- (3) the EVA for the financial year immediately preceding the grant shall reach the budget target assigned by the Group.

2. *Performance targets under the Conditions of Exercise:*

<b>Exercise period</b>	<b>Performance appraisal targets</b>
First exercise period	The EOE (after deduction of extraordinary items) for 2020 shall be not lower than 46.5%; on the basis of the results for 2018, the compound growth rate of the operating revenue for 2020 shall be not lower than 6.5%, and the above indicators shall be not lower than the 75th percentile of the Peer Benchmark Companies for the corresponding period. The EVA shall meet the appraisal target assigned by the Group for 2020, and $\Delta$ EVA shall be greater than 0, which equals to the EVA for the current period minus the EVA for the previous period.
Second exercise period	The EOE (after deduction of extraordinary items) for 2021 shall be not lower than 47%; on the basis of the results for 2018, the compound growth rate of the operating revenue for 2021 shall be not lower than 7%, and the above indicators shall be not lower than the 75th percentile of the Peer Benchmark Companies for the corresponding period. The EVA shall meet the appraisal target assigned by the Group for 2021, and $\Delta$ EVA shall be greater than 0, which equals to the EVA for the current period minus the EVA for the previous period.
Third exercise period	The EOE (after deduction of extraordinary items) for 2022 shall be not lower than 47.5%; on the basis of the results for 2018, the compound growth rate of the operating revenue for 2022 shall be not lower than 7.5%, and the above indicators shall be not lower than the 75th percentile of the Peer Benchmark Companies for the corresponding period. The EVA shall meet the appraisal target assigned by the Group for 2022, and $\Delta$ EVA shall be greater than 0, which equals to the EVA for the current period minus the EVA for the previous period.

EOE=EBITDA/Average Net Assets, of which, earnings before interest, taxes, depreciation and amortization (EBITDA) represent net profit (after deduction of extraordinary items) before interest, taxes, depreciation and amortization, and average net assets represent the arithmetic average sum of equity attributable to owners of the parent company at the beginning and end of the period. However, as no extraordinary items are required to be disclosed in the annual reports of companies listed in Hong Kong and the United States, the effects of extraordinary items on EBITDA will not be taken into account with respect to the Peer Benchmark Companies listed in Hong Kong or the United States.

To encourage the Company to reduce leverage and liabilities, in the event the Company or other entities in the scope of consolidation of the Company conduct activities such as public offering or non-public offering which will have impact on the net assets and the EOE of the Company during the Validity Period, the impact of such activities shall not be taken into account when calculating the EOE for each Exercise Period, or the appraisal indicators related to the EOE specified in each annual appraisal conditions of the Exercise Periods shall be adjusted accordingly. The adjustment plan shall be implemented after consideration and approval by the Board according to the specific circumstances.

The Board is entitled to adjust and modify the abovementioned performance indicators and targets according to relevant factors such as the Company's strategies and market environment. All corresponding adjustments and modifications shall be filed with the SASAC.

If the performance of the Company does not reach the abovementioned conditions, all corresponding batches of Share Options to be granted to the Participants shall lapse and be cancelled by the Company.

***(II) Peer Benchmark Companies***

The selection of the Peer Benchmark Companies shall be conducted according to the priority principles of domestic and Hong Kong listed companies with similar business, consistent structure and leading industry and market position, including overseas and domestic leading companies in businesses of diversified lease, container manufacturing, investment and comprehensive finance.

<b>Stock Code</b>	<b>Stock short name</b>	<b>Stock Code</b>	<b>Stock short name</b>
3877.HK	CSSC SHIPPING	603937.SH	Lidao New Material
SFL.N	Ship Finance International	002701.SZ	ORG
DAC.N	Danaos	603028.SH	Safety Wire Rope

Stock Code	Stock short name	Stock Code	Stock short name
CMRE.N	Costamare	002487.SZ	Dajin Heavy Industry
GSL.N	Global Ship Lease	601028.SH	Yulong Share
000415.SZ	Bohai Leasing	000778.SZ	Xinxing Ductile Iron Pipes
TGH.N	Textainer	600390.SH	Minmetals Capital
1563.HK	IA FIN LEASING	000617.SZ	Cnpc Capital
1496.HK	AP RENTALS	0165.HK	CHINA EB LTD
000039.SZ	CIMC	/	/

If there are any material changes to the principal businesses of the abovementioned Peer Benchmark Companies so that they are no longer comparable to the Company, the Board of the Company will remove or replace the relevant Peer Benchmark Companies as authorized by the Shareholders at the Shareholders' Meetings. In the event that the abovementioned Peer Benchmark Companies issue shares as consideration of acquisition of assets during the Validity Period, the impact of such acquisition on the calculation of the value of the relevant indicators of the Peer Benchmark Companies shall not be taken into account.

### ***(III) Participants***

#### *1. Senior management of COSCO SHIPPING Development*

Pursuant to the “Proposal for the Operating Results Target of Officers-in-Charge of COSCO SHIPPING Development Co., Ltd.”\* (《中遠海運發展股份有限公司企業負責人經營業績目標建議書》), the annual appraisal results of the officers-in-charge are calculated based on the corporate performance appraisal and the individual performance appraisal. The corporate performance appraisal is determined according to the appraisal results in the operational responsibility report of the Company, while the results of individual performance appraisal are related to the duties and assigned work of the officers-in-charge and relevant results achieved. The results of individual performance appraisal of the senior management shall be determined by the Board.

#### *2. Employees in the headquarter of COSCO SHIPPING Development*

Pursuant to the “COSCO SHIPPING Development Performance Appraisal Measures (Trial)”\* (《中遠海運發展績效考核管理辦法(試行)》), the employees at the headquarter shall be appraised annually to determine the appraisal results of the Participants.



- (1) The appraisal on the department management personnel is mainly linked to the appraisal results of the department while taking into consideration of the comprehensive evaluation of the capability and quality of staff. The department appraisal mainly focuses on the annual performance targets/key tasks while adequately taking into consideration of appraisal of management responsibilities;
- (2) The appraisal on non-management staff of the Company mainly lies in the appraisal results of the department, daily work performance and the comprehensive evaluation of the capability and quality. Each appraisal indicator will be scored based on the appraisal results according to the actual completion of the appraisal indicators and the proportion of each appraisal indicator, and adds up to the total appraisal score.

### 3. *Other Participants*

The strategy and development department of COSCO SHIPPING Development is responsible for conducting the appraisal on senior management personnel of the subsidiaries and providing the appraisal results. Other employees of the subsidiaries will be appraised by the relevant subsidiaries, and COSCO SHIPPING Development will collect the appraisal results of such Participants.

4. If the appraised person changed his/her position during the appraisal period, the appraisal indicators will be adjusted according to the position change. In the year end summary, the annual performance appraisal score and appraisal grades of the appraised person will be aggregated based on the proportion of the employment period before and after the position change. If there is a transitional period for the change of position, such transitional period shall be deducted.

### **Article 10** Performance grades and appraisal criteria

The appraisal results are categorized into the following 4 grades:

<b>Appraisal grades</b>	<b>Appraisal results</b>
First grade	Excellent
Second grade	Competent
Third grade	Qualified
Fourth grade	Disqualified

(I) The individual performance appraisal results of the senior management of the Company shall be determined by the Board. In principle, if the main performance indicators or basic indicators are not achieved, the highest appraisal grade shall not exceed “qualified”.

(II) Employees at the headquarter of the Company

The individual annual performance appraisal grades of the Participants are divided into four grades, being “A – excellent”, “B – good”, “C – qualified” and “D – disqualified”. The specific evaluation standards of each performance appraisal grades are listed as follows:

1. In principle, the proportion of A-grade employees to the total number of employees in the relevant department shall not exceed 20%. For the department obtaining A grade for its annual appraisal, the proportion of A-grade employees can be increased to 30% and the proportion of A-grade corporate management cadres shall not exceed 30% in principle;
2. Employees with the annual appraisal scores higher than or equivalent to 70 shall be B-grade employees;
3. Employees with the annual appraisal scores higher than or equivalent to 60 and lower than 70 shall be C-grade employees;
4. Employees with the annual appraisal scores lower than 60 shall be D-grade employees;
5. In respect of the department obtaining C grade for its annual appraisal, the proportion of C-grade employees and D-grade employees shall not be less than 10% in principle.

(III) Senior management of other subsidiaries are evaluated based on the completion of operational performance indicators of such companies or the conditions individually agreed, and the appraisal results will be provided by the strategy and development department of COSCO SHIPPING Development. Other Participants who are not senior management, shall be appraised by the relevant subsidiaries which they belong to, in accordance with appraisal grades and standards determined by the Appraisal Measures of the Company. COSCO SHIPPING Development shall collect the appraisal results of Participants.

**Article 11** Appraisal process

- (I) An appraisal is conducted in the financial year immediately preceding each exercise year;
- (II) The human resources department and relevant departments of the Company shall be responsible for specific implementation of the performance appraisal by conducting appraisal based on the status of completion of annual work performance targets, the performance and behavior and the comprehensive evaluation of competence of the appraised persons, and come up with their annual performance appraisal results. Particularly, the annual appraisal results and the economic responsibility audit results of senior management shall be reported to the Remuneration Committee of the Company for record.

**Article 12** Application of appraisal results

- (I) In the year before the grant of the Share Options, the Participants whose individual performance appraisal grade is below “qualified” cannot be granted any Share Option;
- (II) When the performance of COSCO SHIPPING Development fulfils the Conditions of Exercise of the Share Options, and the Share Options granted meet the schedules of exercise, the individual performance appraisal results based on the appraisal measures at all levels shall be used as the basis for the individual performance conditions of the Share Option Incentive Scheme. If the appraisal results of a Participant is “qualified” or above, his/her current performance fulfils the Conditions of Exercise, and upon fulfilment of the other Conditions of Exercise, he/she may apply for exercise of the Share Options which can become exercisable during the relevant period.

<b>Individual annual performance results</b>	<b>Percentage of Share Options which can become exercisable in the batch of Share Options which will become effective</b>
Excellent	100%
Competent	100%
Qualified	60%
Disqualified	0%

- (III) If the individual annual performance grade of a Participant is below “qualified”, his/her current performance does not fulfil the Conditions of Exercise, and his/her qualification for exercising the Share Options in respect of the relevant period shall be cancelled;
- (IV) For senior management of the Company, if false operating results, loss of state-owned assets, negligence during operation and management and material violations of laws and disciplines are found in the economic responsibility audit during their term of office, all Share Options granted to them (including those unexercisable and those become exercisable but not yet exercised) shall lapse. All gains from the Share Options exercised should be returned to COSCO SHIPPING Development.

**Article 13** Appraisal results management

**(I) Correction of appraisal indicators and results**

The Company may amend the appraisal indicators and results according to the procedures and authority specified in the appraisal system. If the work performance of the Participants is affected by major force majeure factors or special reasons during the appraisal period, the Remuneration Committee of COSCO SHIPPING Development may amend the appraisal indicators and appraisal results with significant deviations.

**(II) Feedback and complaint of the appraisal results**

1. The appraised persons have the right to know their own appraisal results, and the appraisal implementation departments at all levels shall notify the Participants of the appraisal results within 30 business days after the appraisal is completed;
2. Where a Participant has a major objection to the appraisal results during the appraisal period, he/she may file a complaint with the human resources department of the Company within 15 days after he/she is informed of the appraisal results. The human resources department of the Company shall conduct investigation timely, put forward response, and give feedback to the complainant.
3. Responsibility of performance management related personnel
  - (1) An appraiser who does not objectively evaluate an appraised person shall be warned. If the circumstances are serious, the appraisers shall be disqualified;
  - (2) The person in charge of each department is responsible for the performance appraisal in the department and shall be responsible for missed appraisals (if any).

*(III) Appraisal records*

1. The human resources department of the Company shall keep the relevant appraisal records in electronic form for a period of three years;
2. To ensure the effectiveness of performance incentives, the performance appraisal records are not allowed to be altered. Any amendments to the appraisal results or any new appraisal records shall be signed by the appraised persons;
3. The performance appraisal results shall be archived and maintained as confidential information. The human resources department is responsible for the unified destruction thereof after three years from the termination of the Share Option Incentive Scheme.

**Chapter IV Supplementary Provisions**

**Article 14** The Appraisal Measures shall take effect from the date of approval at the Shareholders' Meetings.

**Article 15** The Board shall be responsible for the interpretation and revision of the Appraisal Measures.

**COSCO SHIPPING Development Co., Ltd.**  
January 2020

\* *For identification purposes only*

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## NOTICE OF EGM

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*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.*



中遠海運發展股份有限公司  
**COSCO SHIPPING Development Co., Ltd.\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02866)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**”) will be held at 1:30 p.m. on Thursday, 5 March 2020 (or at any adjournment thereof) at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 17 February 2020 (the “**Circular**”).

### SPECIAL RESOLUTIONS

1. To consider and approve the resolution in relation to the proposed adoption of the Revised Share Option Incentive Scheme, the details of which are set out in the Circular:
  - (a) purpose and principles of the Revised Share Option Incentive Scheme;
  - (b) management institution of the Revised Share Option Incentive Scheme;
  - (c) basis of determining the Participants and the scope of the Participants;
  - (d) source, number and allocation of Shares under the Revised Share Option Incentive Scheme;
  - (e) Validity Period, Date of Grant, Vesting Period, exercise date, exercise period and lock-up provisions;
  - (f) exercise price and gains of the Share Options;

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## NOTICE OF EGM

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- (g) Conditions of Grant and Conditions of Exercise;
  - (h) methods and procedures for adjustments to the number and the exercise price of the Share Options;
  - (i) accounting treatment of the Revised Share Option Incentive Scheme and impact on the operating results of the Company;
  - (j) procedures for implementation of the Revised Share Option Incentive Scheme, grant of Share Options and exercise of Share Options by the Participants;
  - (k) rights and obligations of the Company and the Participants;
  - (l) handling of special circumstances under the Revised Share Option Incentive Scheme;
  - (m) management, amendments and termination of the Revised Share Option Incentive Scheme; and
  - (n) disclosure in relation to the implementation of the Revised Share Option Incentive Scheme.
2. To consider and approve the resolution in relation to the proposed adoption of the Management Measures.
  3. To consider and approve the resolution in relation to the proposed adoption of the Appraisal Measures.
  4. To consider and approve the resolution in relation to the authorisation to the Board and/or its authorised persons to be responsible for the implementation and management of the Revised Share Option Incentive Scheme (including but not limited to the allotment and issue of up to 8,847,445 new A Shares upon the exercise of the Share Options granted under the Revised Share Option Incentive Scheme), the details of which are set out in the Circular.

By order of the Board  
**COSCO SHIPPING Development Co., Ltd.**  
**Yu Zhen**  
*Company Secretary*

Shanghai, People's Republic of China  
17 February 2020

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## NOTICE OF EGM

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*Notes:*

1. For the purpose of holding the EGM, the register of H Shares members of the Company (the “**Register of Members**”) will be closed from 2 March 2020 to 5 March 2020 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company’s H Shares (the “**H Shareholders**”) whose names appear on the Register of Members at the close of business on 28 February 2020 are entitled to attend and vote at the EGM.
2. In order to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited (“**Computershare**”), the Company’s H Share registrar, not later than 4:30 p.m. on 28 February 2020.

The address of Computershare 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. Pursuant to the Administrative Measures, an 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 option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participate in general meetings, so as to encourage them to vote on the resolutions in respect of the adoption of a share option incentive scheme.

Pursuant to the Administrative Measures and the authorisation of other independent non-executive Directors, Mr. Lu Jianzhong, an independent non-executive Director, has issued the Form of Proxy of INED to solicit voting rights from the Shareholders on the resolutions in relation to (i) the proposed adoption of the Revised Share Option Incentive Scheme; (ii) the proposed adoption of the Management Measures; (iii) the proposed adoption of the Appraisal Measures; and (iv) the authorisation to the Board in relation to the Revised Share Option Incentive Scheme to be proposed at the EGM. For further details of the Form of Proxy of INED, please refer to the overseas regulatory announcement of the Company in relation to the public solicitation of voting rights by the independent non-executive Directors dated 17 February 2020.

If you wish to appoint persons other than Mr. Lu Jianzhong as your proxy to vote for you and on your behalf on all resolutions at the EGM, you may complete and return the Form of Proxy of EGM only and disregard the Form of Proxy of INED. **Please note that if you have completed and returned both the Form of Proxy of EGM and the Form of Proxy of INED for the EGM, but have given inconsistent voting instructions on the resolutions concerned between the Form of Proxy of EGM and the Form of Proxy of INED for the EGM, your voting instructions given in the Form of Proxy of INED for the EGM will be counted as your vote for or against the resolutions at the EGM.**

5. The Form of Proxy of EGM or the Form of Proxy of INED must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of 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 of EGM or the Form of Proxy of INED is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.
6. To be valid, for H Shareholders, the Form of Proxy of EGM or the Form of Proxy of INED, and if the Form of Proxy of EGM or the Form of Proxy of INED is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Computershare at 17M Floor, 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 in order for such documents to be valid.



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## NOTICE OF EGM

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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 of EGM or the Form of Proxy of INED signed by the Shareholder or his/her legal representative or his/her duly authorised attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. The Form(s) of Proxy of EGM or the Form(s) of Proxy of INED duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed Form(s) of Proxy of EGM or the Form(s) of Proxy of INED when the proxy(ies) attend(s) the EGM. Completion and return of the Form of Proxy of EGM or the Form of Proxy of INED will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
8. Pursuant to the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the EGM will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) after the EGM.
9. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
10. The EGM is estimated to last for half a day. Shareholders who attend the EGM in person or by proxy shall bear their own transportation and accommodation expenses.

*The Board as at the date of this notice comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive Directors.*

- \* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

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## NOTICE OF H SHARES CLASS MEETING

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中遠海運發展股份有限公司  
**COSCO SHIPPING Development Co., Ltd.\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02866)**

### NOTICE OF H SHARES CLASS MEETING

**NOTICE IS HEREBY GIVEN** that a class meeting of H Shareholders (the “**H Shares Class Meeting**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**”) will be held at 1:30 p.m. on Thursday, 5 March 2020 (or at any adjournment thereof) at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 17 February 2020 (the “**Circular**”).

#### SPECIAL RESOLUTIONS

1. To consider and approve the resolution in relation to the proposed adoption of the Revised Share Option Incentive Scheme, the details of which are set out in the Circular:
  - (a) purpose and principles of the Revised Share Option Incentive Scheme;
  - (b) management institution of the Revised Share Option Incentive Scheme;
  - (c) basis of determining the Participants and the scope of the Participants;
  - (d) source, number and allocation of Shares under the Revised Share Option Incentive Scheme;
  - (e) Validity Period, Date of Grant, Vesting Period, exercise date, exercise period and lock-up provisions;
  - (f) exercise price and gains of the Share Options;

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## NOTICE OF H SHARES CLASS MEETING

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- (g) Conditions of Grant and Conditions of Exercise;
  - (h) methods and procedures for adjustments to the number and the exercise price of the Share Options;
  - (i) accounting treatment of the Revised Share Option Incentive Scheme and impact on the operating results of the Company;
  - (j) procedures for implementation of the Revised Share Option Incentive Scheme, grant of Share Options and exercise of Share Options by the Participants;
  - (k) rights and obligations of the Company and the Participants;
  - (l) handling of special circumstances under the Revised Share Option Incentive Scheme;
  - (m) management, amendments and termination of the Revised Share Option Incentive Scheme; and
  - (n) disclosure in relation to the implementation of the Revised Share Option Incentive Scheme.
2. To consider and approve the resolution in relation to the proposed adoption of the Management Measures.
  3. To consider and approve the resolution in relation to the proposed adoption of the Appraisal Measures.
  4. To consider and approve the resolution in relation to the authorisation to the Board and/or its authorised persons to be responsible for the implementation and management of the Revised Share Option Incentive Scheme (including but not limited to the allotment and issue of up to 8,847,445 new A Shares upon the exercise of the Share Options granted under the Revised Share Option Incentive Scheme), the details of which are set out in the Circular.

By order of the Board  
**COSCO SHIPPING Development Co., Ltd.**  
**Yu Zhen**  
*Company Secretary*

Shanghai, People's Republic of China  
17 February 2020

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## NOTICE OF H SHARES CLASS MEETING

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*Notes:*

1. For the purpose of holding the H Shares Class Meeting, the register of H Shares members of the Company (the “**Register of Members**”) will be closed from 2 March 2020 to 5 March 2020 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company’s H Shares (the “**H Shareholders**”) whose names appear on the Register of Members at the close of business on 28 February 2020 are entitled to attend and vote at the H Shares Class Meeting.
2. In order to attend and vote at the H Shares Class Meeting, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited (“**Computershare**”), the Company’s H Share registrar, not later than 4:30 p.m. on 28 February 2020.

The address of Computershare 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. Pursuant to the Administrative Measures, an 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 option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participate in general meetings, so as to encourage them to vote on the resolutions in respect of the adoption of a share option incentive scheme.

Pursuant to the Administrative Measures and the authorisation of other independent non-executive Directors, Mr. Lu Jianzhong, an independent non-executive Director, has issued the Form of Proxy of INED to solicit voting rights from the Shareholders on the resolutions in relation to (i) the proposed adoption of the Revised Share Option Incentive Scheme; (ii) the proposed adoption of the Management Measures; (iii) the proposed adoption of the Appraisal Measures; and (iv) the authorisation to the Board in relation to the Revised Share Option Incentive Scheme to be proposed at the H Shares Class Meeting. For further details of the Form of Proxy of INED, please refer to the overseas regulatory announcement of the Company in relation to the public solicitation of voting rights by the independent non-executive Directors dated 17 February 2020.

If you wish to appoint persons other than Mr. Lu Jianzhong as your proxy to vote for you and on your behalf on all resolutions at the H Shares Class Meeting, you may complete and return the Form of Proxy of H Shares Class Meeting only and disregard the Form of Proxy of INED. **Please note that if you have completed and returned both the Form of Proxy of H Shares Class Meeting and the Form of Proxy of INED for the H Shares Class Meeting, but have given inconsistent voting instructions on the resolutions concerned between the Form of Proxy of H Shares Class Meeting and the Form of Proxy of INED for the H Shares Class Meeting, your voting instructions given in the Form of Proxy of INED for the H Shares Class Meeting will be counted as your vote for or against the resolutions at the H Shares Class Meeting.**

5. The Form of Proxy of H Shares Class Meeting or the Form of Proxy of INED must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of 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 of H Shares Class Meeting or the Form of Proxy of INED is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.
6. To be valid, for H Shareholders, the Form of Proxy of H Shares Class Meeting or the Form of Proxy of INED, and if the Form of Proxy of H Shares Class Meeting or the Form of Proxy of INED is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Computershare at 17M Floor, 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 in order for such documents to be valid.

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## NOTICE OF H SHARES CLASS MEETING

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7. 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 of H Shares Class Meeting or the Form of Proxy of INED signed by the Shareholder or his/her legal representative or his/her duly authorised attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the H Shares Class Meeting, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. The Form(s) of Proxy of H Shares Class Meeting or the Form(s) of Proxy of INED duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed Form(s) of Proxy of H Shares Class Meeting or the Form(s) of Proxy of INED when the proxy(ies) attend(s) the H Shares Class Meeting. Completion and return of the Form of Proxy of H Shares Class Meeting or the Form of Proxy of INED will not preclude a Shareholder from attending in person and voting at the H Shares Class Meeting or any adjournment thereof should he/she so wish.
8. Pursuant to the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the H Shares Class Meeting will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) after the H Shares Class Meeting.
9. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the H Shares Class Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
10. The H Shares Class Meeting is estimated to last for half a day. Shareholders who attend the H Shares Class Meeting in person or by proxy shall bear their own transportation and accommodation expenses.

*The Board as at the date of this notice comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive Directors.*

- \* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*