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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

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

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COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.* **中遠海運能源運輸股份有限公司**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1138)

**(1) PROPOSED ADOPTION OF
THE REVISED A SHARE OPTION INCENTIVE SCHEME AND THE
PROPOSED GRANT UNDER THE REVISED SCHEME
(2) EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS'
RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD
TO HANDLE ALL MATTERS RELATING TO THE PROPOSED
NON-PUBLIC ISSUANCE OF A SHARES
(3) POLICY ON THE MANAGEMENT OF CONNECTED TRANSACTIONS
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
(5) NOTICE OF H SHARES CLASS MEETING**

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**

MESSIS  **大有融資**

A letter from the Board is set out on pages 7 to 20 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 30 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC was despatched to the Shareholders on 2 November 2018, which is reproduced on pages EGM-1 to EGM-4 of this circular. A notice convening the H Shares Class Meeting to be held at 10:00 a.m. (in the order of the EGM, A Shares Class Meeting and H Shares Class Meeting) on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC was despatched to the Shareholders on 2 November 2018, which is reproduced on pages HCM-1 to HCM-4 of this circular. The respective proxy forms for use at the EGM and the H Shares Class Meeting were despatched on Friday, 2 November 2018. Whether or not you are able to attend the above meetings, please complete and return the proxy forms in accordance with the instructions printed thereon as soon as possible and in any event by not less than 24 hours before the time appointed for the holding of such meetings or any adjournment thereof (i) in case of H Shareholders, to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (ii) in case of A Shareholders, to the Office of the Board of Directors of the Company at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meetings should you so wish.

30 November 2018

* for identification purpose only

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DEFINITIONS

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

“2017 Class Meetings”	the class meeting of A Shareholders and the class meeting of H Shareholders held on 18 December 2017
“2017 EGM”	the extraordinary general meeting of the Company held on 18 December 2017
“2017 EGM Circular”	the circular of the Company dated 4 December 2017
“A Shareholder(s)”	holder(s) of A Shares
“A Shares”	the domestic shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (Stock Code: 600026)
“A Shares Class Meeting”	the class meeting for A Shareholders to be held at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC at 10:00 a.m. or immediately following conclusion of the EGM on Monday, 17 December 2018
“Administrative Measures”	the Administrative Measures on Share Option Incentives of Listed Companies (Zhong Guo Zheng Jian Hui Ling No. 148)(《上市公司股權激勵管理辦法》(中國證監會令第148號))
“Articles of Association”	the Articles of Association of the Company
“Benchmark Price”	for illustration purpose only, RMB6.81 being the net asset value per Share set out in the most recent audited consolidated financial statements of the Company as at the latest practicable date of the 2017 EGM Circular (i.e. 1 December 2017)
“Board”	the board of Directors
“Board Authorisation Extension Resolution”	the proposed resolutions to extend the validity period of the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares, for a further period of 12 months, commencing from 18 December 2018, being the date after the expiry date of the existing validity period, to 17 December 2019

DEFINITIONS

“China Shipping”	China Shipping Group Company Limited* (中國海運集團有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of COSCO Shipping and the controlling shareholder of the Company, holding approximately 38.56% of the registered capital of the Company as at the Latest Practicable Date
“Class Meetings”	the A Shares Class Meeting and H Shares Class Meeting
“Company”	COSCO SHIPPING Energy Transportation Co., Ltd.* (中遠海運能源運輸股份有限公司), a joint stock limited Company established in the PRC, whose H shares and A shares are listed on Main Board of the Stock Exchange (Stock Code: 1138) and the Shanghai Stock Exchange (Stock Code: 600026), respectively
“Company Law”	the Company Law of the People’s Republic of China
“Conditions of Exercise”	conditions to be fulfilled for a Participant to Exercise a Share Option according to the Revised Scheme
“Conditions of Grant”	conditions to be fulfilled for a Participant to be granted a Share Option according to the Revised Scheme
“COSCO Shipping”	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and the indirect controlling shareholder of the Company
“COSCO Shipping Concert Group”	COSCO Shipping and parties acting in concert with it for the purpose of the Takeovers Code, including China Shipping and its subsidiaries
“CSRC”	China Securities Regulatory Commission
“Date of Grant”	the date on which a Share Option is granted to a Participant by the Company, which must be a trading day
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC at 10:00 a.m. on Monday, 17 December 2018
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)

DEFINITIONS

“Exercise”	a Participant exercising Share Option(s) to acquire A shares pursuant to the exercise of Share Option(s) in accordance with the conditions stipulated under the Revised Scheme
“Exercise Date”	the date on which a Participant is entitled to Exercise, which must be a trading day
“Exercise Price”	the price determined under the Revised Scheme for a Participant to acquire Shares of the Company
“Extension Resolutions”	Share Issuance Extension Resolution and/or Board Authorisation Extension Resolution (as the case may be)
“H Shareholders”	holders of H Shares
“H Shares”	overseas listed foreign shares of nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Stock Exchange (Stock Code: 1138)
“H Shares Class Meeting”	the class meeting for H Shareholders to be held at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC at 10:00 a.m. or immediately following conclusion of the EGM and the A Shares Class Meeting on Monday, 17 December 2018
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Incentive System Notice”	the Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171)(《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號))
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Share Issuance Extension Resolution in accordance with the Listing Rules
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of Share Issuance Extension Resolution

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) COSCO Shipping and parties acting in concert with it and (ii) all other parties (if any) who are interested or involved in the Proposed Non-public Issuance of A Shares and the Extension Resolutions
“Latest Practicable Date”	27 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant(s)”	persons to be granted Share Options under the Revised Scheme
“PRC”	People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Policy on the Management of Connected Transactions”	Administrative Rules Governing Connected Transactions (關聯交易管理制度) of the Company
“Proposed Non-public Issuance of A Shares”	the proposed non-public issuance of not more than 806,406,572 A Shares by the Company to not more than 10 specific target subscribers, including COSCO Shipping which proposes to participate via the Subscription
“Revised Scheme”	the revised A Share option incentive scheme of the Company proposed for adoption, as amended and supplemented from the Scheme and as set out in the announcement of the Company dated 30 October 2018
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council, the PRC
“Scheme”	the A Share option incentive scheme of the Company proposed for adoption as set out in the Scheme Announcement
“Scheme Announcement”	the announcement of the Company dated 19 December 2017 in relation to, among other things, the proposed adoption of the Scheme
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented, or otherwise modified from time to time)
“Share Issuance Extension Resolution”	the proposed resolution to extend the validity period of the then Independent Shareholders’ resolutions relating to the Proposed Non-public Issuance of A Shares, for a further period of 12 months, commencing from 18 December 2018, being the date after the expiry date of the existing validity period, to 17 December 2019
“Share(s)”	A Share(s) and/or H Share(s)
“Share Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares according to pre-determined conditions in a particular period of time
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Meetings”	the EGM and the Class Meetings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of A Shares by COSCO Shipping pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 30 October 2017 entered into between the Company and COSCO Shipping, pursuant to which COSCO Shipping has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of A Shares for an amount of not more than RMB4.2 billion under the Proposed Non-public Issuance of A Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trial Measures”	Trial Measures on Implementation of Share Incentive Schemes by State Controlled Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號))
“Validity Period”	the period from the Date of Grant of a Share Option to the date on which the Share Option expires
“Vesting Period”	the period from the Date of Grant to the first Exercise Date of a Share Option

DEFINITIONS

“Whitewash Waiver”

a waiver granted by the Executive on 15 December 2017 pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the obligation of COSCO Shipping to make a general offer for all the issued A Shares (and a comparable offer to acquire all issued H Shares) not already owned by or agreed to be acquired by the COSCO Shipping Concert Group which may otherwise arise as a result of the Subscription

* *For identification purpose only*

LETTER FROM THE BOARD



COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.* **中遠海運能源運輸股份有限公司**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1138)

Executive Directors:

Huang Xiaowen (*Chairman*)
Liu Hanbo
Lu Junshan

Registered Office:

Room A-1015
No. 188 Ye Sheng Road
China (Shanghai) Pilot Free Trade Zone
People's Republic of China

Non-executive Directors:

Feng Boming
Zhang Wei
Lin Honghua

Place of business in the PRC:

670 Dongdaming Road
Hongkou District
Shanghai, the People's Republic of China

Independent Non-Executive Directors:

Ruan Yongping
Ip Sing Chi
Rui Meng
Teo Siong Seng

Place of business in Hong Kong:

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

30 November 2018

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF
THE REVISED A SHARE OPTION INCENTIVE SCHEME AND THE
PROPOSED GRANT UNDER THE REVISED SCHEME
(2) EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS'
RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD
TO HANDLE ALL MATTERS RELATING TO THE PROPOSED
NON-PUBLIC ISSUANCE OF A SHARES
(3) POLICY ON THE MANAGEMENT OF CONNECTED TRANSACTIONS
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
(5) NOTICE OF H SHARES CLASS MEETING**

* for identification purpose only

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE REVISED A SHARE OPTION INCENTIVE SCHEME AND THE PROPOSED GRANT UNDER THE REVISED SCHEME

I. Introduction

References are made to (i) the announcement of the Company dated 19 December 2017 in relation to the proposed adoption of the Scheme; and (ii) the announcement of the Company dated 30 October 2018 in relation to the proposed adoption of the Revised Scheme.

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

II. Proposed adoption of the Revised Scheme

The purposes of the Revised Scheme are:

1. to effectively align the interests of Shareholders and the senior management of the Company, maximising Shareholders' interest and increasing the value of state-owned assets;
2. to ensure the Company offers remuneration and incentive package which is competitive in the PRC labour market, attracting and incentivising key personnel of the Company to strive for the strategic goals of the Company; and
3. to align the remuneration of the senior management and key personnel of the Company with the overall performance of the Company through the Revised Scheme, motivating such persons to attend to and jointly strive for the long-term strategic targets of the Company.

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

On 30 October 2018, the Board passed a resolution in relation to the proposed adoption of the Revised Scheme and the proposed grant thereunder and resolved that it will be proposed at the Shareholders' Meetings for the Shareholders to consider, and if thought fit, to approve the adoption of the Revised Scheme and the proposed grant thereunder by way of special resolutions. Approval by SASAC in respect of the Scheme has been obtained on 1 February 2018. The Revised Scheme shall become effective upon consideration and approval at the Shareholders' Meetings.

The summary of the principal terms of the Revised Scheme is set out in Appendix I to this circular.

LETTER FROM THE BOARD

III. Proposed grant

1. Source of Shares under the Revised Scheme and number of Share Options proposed to be granted under the Revised Scheme

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

Under the Revised Scheme, the source of the underlying shares shall be the ordinary A Shares to be issued by the Company to the Participants.

There are no voting or dividend rights attaching to the Share Options. The Share Options shall not be transferred or used as guarantee or repayment of debts.

The total number of Share Options that may be granted to Participants under the Revised Scheme shall not exceed 35,787,000, i.e. not exceeding approximately 0.89% of the Company's total issued Shares as at the Latest Practicable Date and approximately 1.31% of the Company's total issued A Shares as at the date of approval of the Revised Scheme by the Shareholders (assuming that the non-public issuance of not exceeding 806,406,572 new A Shares by the Company will complete after the date of approval of the Revised Scheme by the Shareholders). Please refer to the announcements of the Company dated 31 October 2017, 15 December 2017, 18 December 2017, 27 December 2017, 6 February 2018, 5 March 2018, 9 May 2018 and 30 October 2018 respectively and the circular of the Company dated 4 December 2017 for details regarding the non-public issuance of A Shares.

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

There are 134 Participants (which constitute approximately 4.24% of the total number of employees of the Company as of 31 December 2017) pursuant to the Revised Scheme, including Directors (but excluding independent Directors), senior management and other management and core technical personnel of the Company who have direct impact on the operation results and development of the Company.

The Participants do not include substantial Shareholders or controllers of the Company who individually or jointly hold 5% or more of the Shares, or their spouse, parents or children.

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

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

LETTER FROM THE BOARD

2. *Schedule of the Revised Scheme*

(1) *Validity Period*

The Revised Scheme shall be effective for seven years from the Date of Grant.

(2) *Vesting Period*

Vesting Period represents the minimum period a Share Option must be held before it can be Exercised, which is 24 months from the Date of Grant pursuant to the relevant requirements of SASAC.

(3) *Exercise Date*

The Exercise Date must be a trading day.

If the Conditions of Exercise stipulated under the Revised Scheme are fulfilled after expiry of the 24-month period from the Date of Grant, Participants shall Exercise their Share Options in stages within the next 60 months.

The arrangements of each stage of Exercise of the Share Options are as follows:

Exercise Period	Duration	Exercise Proportion
First Exercise period	Commencing on the first trading day after expiry 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	33%
Second Exercise period	Commencing on the first trading day after expiry 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	33%
Third Exercise period	Commencing on the first trading day after expiry 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	34%

If the Conditions of Exercise are not fulfilled, the Share Options for that period shall not be Exercised and shall not be accumulated to the next exercise period, and such portion of the Share Options not Exercised shall be cancelled by the Company.

LETTER FROM THE BOARD

If the Conditions of Exercise are met, but the Share Options are not exercised during the corresponding exercise period above, they will lapse automatically upon expiry of the corresponding exercise period.

IV. Administration regulations and appraisal measures of the Revised Scheme

The Revised Scheme shall be implemented in accordance with the Administration Regulations as set out in Appendix II to this circular.

According to the Revised Scheme, the Exercise of Share Options by Participants shall be conditional upon the Participants having passed the appraisal implemented pursuant to the share option incentive scheme performance appraisal measures of the Company.

V. Conditions for the Revised Scheme to take effect

Approval by SASAC in respect of the Scheme has been obtained on 1 February 2018. The Revised Scheme shall become effective upon consideration and approval at the Shareholders' Meetings. The grant and Exercise of Share Options shall become valid upon fulfillment of the conditions as stipulated under the Revised Scheme.

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

VI. Fair value and determination of Share Options

According to the relevant requirements regarding the recognition of fair value under Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement (《企業會計準則第 22 號—金融工具確認和計量》), an appropriate valuation model shall be selected for the calculation of the fair value of Share Options. The Company uses Black-Scholes Model to calculate the fair value of Share Options and has used this model to make a preliminary calculation of the fair value of the Share Options to be granted (formal calculation will be conducted at the time of grant): the value of each Share Option of the Company is approximately RMB0.98, and the aggregate value of 35,787,000 Share Options to be granted under the Revised Scheme is RMB35,071,260. Detailed reference factors are set out below:

- | | | |
|-----|----------------------|--|
| (1) | Price of Share: | RMB4.06/Share (closing price of A Shares on 12 September 2018) |
| (2) | Exercise Price: | RMB6.00/Share (exercise price set by the Board according to the regulations of CSRC and SASAC) |
| (3) | Expected life: | Approximately 3.83 years (weighted expected effective period) |
| (4) | Expected volatility: | 42.82% (based on the historical volatility rate of the Company) |

LETTER FROM THE BOARD

(5) Risk-free interest rate: 3.4584% (based on the 3.83-year yield to maturity of the national bond rate)

(6) Expected dividend: 0.00% (not applicable)

Note: The calculation results of the value of the Share Options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted, therefore the estimated value of the Share Options may be subjective and uncertain.

VII. Implications under Listing Rules

The Revised Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules.

The Exercise Price of Share Options to be granted to Participants under the Scheme is RMB6.05 per A Share (before adjustment as set out in the paragraph below), being the highest of the following:

1. the average trading price of the A Shares on the last trading day immediately preceding the date of the Scheme Announcement (RMB6.02);
2. the average of the trading prices of the A Shares for the last 20 trading days immediately preceding the date of the Scheme Announcement (RMB6.04);
3. the closing price of the A Shares on the last trading day immediately preceding the date of the Scheme Announcement (RMB6.01);
4. the average of the closing prices of the A Shares for the last 30 trading days immediately preceding the date of the Scheme Announcement (RMB6.05);
5. RMB1.00, being the nominal value of an A Share.

As set out in the announcement of the Company dated 30 October 2018, the Company has distributed on 13 July 2018 final dividend of RMB0.05 per share in respect of the period ended 31 December 2017 to the shareholders of the A Shares. Pursuant to the price adjustment mechanism as set out in the paragraph headed “Method and procedures of adjustment to the number and Exercise Price of Share Options” in the Scheme Announcement, the Exercise Price of Share Options to be granted pursuant to the Revised Scheme has been adjusted from RMB6.05 per Share to RMB6.00 per Share.

Under the Revised Scheme, the basis of determination of the Exercise Price of Share Options as set out in the paragraph headed “Exercise Price of Share Options and basis of determination” in the announcement of the Company dated 19 December 2017 remains unchanged.

According to the requirements of Note 1 to Rule 17.03(9) of the Listing Rules, the Exercise Price shall be at least the higher of the following: (i) the closing price of the securities as quoted in the daily quotations sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the securities as quoted in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant.

LETTER FROM THE BOARD

However, since (i) the Share Options to be granted under the Revised Scheme involve A Shares only; (ii) the proposed grant of Share Options will be subject to shareholders' approval at the Company's general meeting; and (iii) the Exercise Price is determined pursuant to the applicable rules and regulations promulgated by the CSRC, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Note 1 to Rule 17.03(9) of the Listing Rules in respect of the Scheme on 22 December 2017. For details of the determination of the Exercise Price under the Revised Scheme, please refer to the paragraph headed "V. Exercise Price of Share Options and basis of determination" in Appendix I to this circular.

VIII. Recommendation

The Directors believe that the adoption of the Revised Scheme and the proposed grant under the Revised Scheme is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions as set out in the notices of the EGM and H Shares Class Meeting.

IX. Additional information

A copy of the Revised Scheme is available for inspection at the Company's principal place of business in Hong Kong at RMS 3601-3602, 36/F West Tower, Shun Tak CTR, 168-200 Connaught RD Central, Hong Kong during normal business hours from the date hereof up to and including 17 December 2018, being the date of the Shareholders' Meetings.

EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD TO HANDLE ALL MATTERS RELATING TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

I. Introduction

References are made to the announcements of the Company dated 31 October 2017, 15 December 2017, 18 December 2017, 27 December 2017, 6 February 2018, 5 March 2018, 9 May 2018 and 30 October 2018, and the 2017 EGM Circular in respect of, inter alia, the Proposed Non-public Issuance of A Shares.

At the 2017 EGM and the 2017 Class Meetings held on 18 December 2017, the then Independent Shareholders approved, among others, the proposed non-public issuance of not more than 806,406,572 A Shares by the Company to not more than 10 specific target subscribers, including COSCO Shipping, under the Proposed Non-public Issuance of A Shares.

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

LETTER FROM THE BOARD

II. Extension Resolutions

As at the Latest Practicable Date, the CSRC is still in the process of reviewing the Company's application for the Proposed Non-public Issuance of A Shares. Considering that (i) the validity period of the Shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares which was approved by the then Independent Shareholders at the 2017 EGM and 2017 Class Meetings; and (ii) the validity period of the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares, which was approved by the then Shareholders at the 2017 EGM and 2017 Class Meetings, will expire on 17 December 2018, the Board proposed to convene the EGM and the Class Meetings (i) for the Independent Shareholders to consider the Share Issuance Extension Resolution and (ii) for the Independent Shareholders to consider the Board Authorisation Extension Resolution, in order to extend the validity period of the Shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares and the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares for a further period of 12 months, i.e. commencing from 18 December 2018 to 17 December 2019 by way of special resolutions.

COSCO Shipping and parties acting in concert with it and those Shareholders who are involved in or interested in the Proposed Non-public Issuance of A Shares will abstain from voting on the Share Issuance Extension Resolution to be proposed at the EGM and the Class Meetings.

III. Reasons for and benefits of the Extension Resolutions

As the CSRC is in the process of reviewing the Company's application for the Proposed Non-public Issuance of A Shares, it is uncertain whether the Company would be able to complete the Proposed Non-public Issuance of A Shares before the expiry of the validity period of the Shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares. As such, the Board is of the view that it is necessary and in the interests of the Company and its Shareholders as a whole to propose the Extension Resolutions.

IV. Implications under the Listing Rules

As at the Latest Practicable Date, COSCO Shipping and its associates hold the voting rights in respect of 1,554,631,593 A Shares and no H Shares, representing approximately 38.56% of the total issued share capital of the Company. Accordingly, COSCO Shipping is a controlling shareholder of the Company and therefore a connected person of the Company.

As such, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. COSCO Shipping, being a subscriber under the Proposed Non-public Issuance of A Shares, has a material interest in the Proposed Non-public Issuance of A Shares. Therefore, COSCO Shipping and parties acting in concert with it and those Shareholders who are involved in or interested in the Proposed Non-public Issuance of A Shares will abstain from voting on the resolution to be proposed at the EGM and the Class Meetings to approve the Share Issuance Extension Resolution.

LETTER FROM THE BOARD

Mr. Huang Xiaowen, an executive Director, and Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua, who are non-executive Directors, hold directorship(s) or act as senior management in COSCO Shipping and/or its subsidiaries other than the Group, and accordingly, Mr. Huang Xiaowen, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua have abstained from voting on the relevant Board resolutions approving the Share Issuance Extension Resolution. As at the Latest Practicable Date, none of the aforementioned Directors hold any Shares. Save as aforementioned, none of these Directors has a material interest in the Proposed Non-public Issuance of A Shares and the Subscription and hence no other Director has abstained from voting on such Board resolutions.

V. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising all independent non-executive Directors, namely, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Share Issuance Extension Resolution and the Subscription. In this connection, Messis Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Issuance Extension Resolution and the Subscription.

VI. Implications under the Takeovers Code

As at the Latest Practicable Date, COSCO Shipping and its associates hold the voting rights in respect of 1,554,631,593 A Shares and no H Shares, representing approximately 38.56% of the total issued share capital of the Company.

Upon completion of the Proposed Non-public Issuance of A Shares and assuming the issuance is conducted at the Benchmark Price, the COSCO Shipping Concert Group's holding of voting rights in respect of all the Shares is expected to increase from approximately 38.56% to approximately 45.00% on a fully diluted basis. As a result of such acquisition of voting rights in the Company, unless the Whitewash Waiver is granted, COSCO Shipping will incur an obligation to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares other than those already held or agreed to be acquired by the COSCO Shipping Concert Group.

The Executive granted the Whitewash Waiver on 15 December 2017, subject to (i) the issue of the new securities being approved by a vote of the Independent Shareholders at the 2017 EGM and the 2017 Class Meetings, to be taken on a poll; and (ii) unless the Executive gives prior consent, no acquisition or disposal of voting rights of the Company being made by COSCO Shipping and parties acting in concert with it between the date of the announcement of the Company on 31 October 2017 and the completion of the Subscription. The aforementioned condition (i) imposed by the Executive has been duly fulfilled as at the date of this announcement.

It is also set out in the Whitewash Waiver granted by the Executive that COSCO Shipping and parties acting in concert with it should continue to comply fully with Schedule VI to the Takeovers Code. If there is any non-compliance with the Takeovers Code or any material change to the information provided, the Executive should be advised immediately so that the Executive can determine whether the Whitewash Waiver remains valid.

LETTER FROM THE BOARD

COSCO Shipping has confirmed that it and parties acting in concert with it have fully complied with and will continue to comply with Schedule VI to the Takeovers Code, in particular, unless the Executive gives prior consent, no acquisition or disposal of voting rights of the Company was and will be made by COSCO Shipping and parties acting in concert with it between the date of the announcement of the Company on 31 October 2017 and the completion of the Subscription.

Save for the extensions of the validity period of the Shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares, and the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares for a further period of 12 months, i.e. commencing from 18 December 2018 to 17 December 2019, there is no other change to the terms of the Proposed Non-public Issuance of A Shares previously disclosed by the Company. Therefore, the passing of the Extension Resolutions will not affect the validity of the Whitewash Waiver.

VII. Information of the Company and COSCO Shipping

The Company

The Company is a joint stock company established under the laws of the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange. The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, liquefied natural gas shipment and vessel chartering.

COSCO Shipping

COSCO Shipping is a state-owned enterprise and is the indirect controlling shareholder of the Company through China Shipping. COSCO Shipping is principally engaged in international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

VIII. Recommendation

The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that while the Share Issuance Extension Resolution and the Subscription are not conducted in the ordinary and usual course of business of the Group, the terms of the Share Issuance Extension Resolution and the Subscription Agreement on normal commercial terms and that the Share Issuance Extension Resolution and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the Share Issuance Extension Resolution.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular below) are of the view that the Share Issuance Extension Resolution and the Subscription are in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Independent Shareholders to vote in favour of the Share Issuance Extension Resolution at the EGM and the H Shares Class Meeting.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains its recommendation to the Independent Shareholders on the Share Issuance Extension Resolution, and (ii) the letter from the Independent Financial Adviser set out on pages 23 to 30 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders as regards the Share Issuance Extension Resolution and the principal factors considered by it in arriving thereat.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the Share Issuance Extension Resolution.

POLICY ON THE MANAGEMENT OF CONNECTED TRANSACTIONS

I. The policy

On 30 October 2018, the Board passed a resolution in relation to the proposed adoption of the Policy on the Management of Connected Transactions and resolved that it will be proposed at the EGM for the Shareholders to consider, and if thought fit, to approve the adoption of the Policy on the Management of Connected Transactions by way of ordinary resolution.

The content of the Policy on the Management of Connected Transactions is set out in Appendix III to this circular.

II. Recommendation

The Directors believe that the adoption of the Policy on the Management of Connected Transactions is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions as set out in the notices of the EGM.

EGM AND H SHARES CLASS MEETING

The EGM and H Shares Class Meeting will be held at 10:00 a.m. (in the order of the EGM, A Shares Class Meeting and H Shares Class Meeting) on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC.

A notice convening the EGM to be held at 10:00 a.m. on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC was despatched to the Shareholders on Friday, 2 November 2018, which is reproduced on pages EGM-1 to EGM-4 of this circular. A notice convening the H Shares Class Meeting to be held at 10:00 a.m. (in the order of the EGM, A Shares Class Meeting and H Shares Class Meeting) on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No.

LETTER FROM THE BOARD

1171 Dongdaming Road, Hongkou District, Shanghai, the PRC was despatched to the Shareholders on Friday, 2 November 2018, which is reproduced on pages HCM-1 to HCM-4 of this circular. The respective proxy forms and reply slips for use at the EGM and the H Share Class Meeting were despatched on Friday, 2 November 2018.

Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the proxy forms (for use at the EGM and/or the H Share Class Meeting) in accordance with the instructions printed thereon as soon as possible to the Company's Hong Kong H share registrar and transfer office, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of H Shareholders) or the Office of the Board of Directors of the Company at 7th Floor, 670 Dongdaming Road, Hongkou District, Shanghai, the PRC (in case of A Shareholders) but in any event not less than 24 hours before the time appointed for the holding of the EGM and/or the H Share Class Meeting (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meetings should you so wish.

Please note that Mr. Ruan Yongping, an independent non-executive Director, has sent the proxy form for the solicitation of voting rights by independent non-executive director (the "**Independent Director's Proxy Form**") in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the special resolutions in respect of the Revised Scheme and its related matters at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting. Should you wish to appoint Mr. Ruan Yongping as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions regarding the Revised Scheme and its related matters, please complete, sign and return the Independent Director's Proxy Forms to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding of the EGM and/or H Shareholders' Class Meeting or any adjournment thereof. Alternatively, if you wish to appoint any person other than Mr. Ruan Yongping as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions regarding the Revised Scheme and its related matters, you may simply disregard the Independent Director's Proxy Forms and complete and return the Proxy Forms instead. The report on the public solicitation of voting rights by the independent non-executive Directors prepared by Mr. Ruan Yongping has also been published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.coscoshippingenergy.com) by an announcement of the Company dated 2 November 2018.

In respect of the resolutions relating to the adoption of the Revised Scheme, the Board confirms that save for the Participants to the extent they are also Shareholders, no Shareholder has material interest in the relevant resolutions and therefore, no Shareholder is required to abstain from voting for such resolutions.

In respect of the resolutions relating to the Proposed Non-public Issuance of A Shares, COSCO Shipping, being a subscriber under the Proposed Non-public Issuance of A Shares, has a material interest in the Proposed Non-public Issuance of A Shares. Therefore, COSCO Shipping and parties acting in concert with it and those Shareholders who are involved in or interested in the Proposed Non-public Issuance of A Shares will abstain from voting on the resolution to be proposed at the EGM and the Class Meetings to approve the Extension Resolutions.

LETTER FROM THE BOARD

In respect of the resolution relating to the adoption of the Policy on the Management of Connected Transactions, the Board confirms that no Shareholder has material interest in the relevant resolution and therefore no Shareholder is required to abstain from voting on such resolution to be proposed at the EGM.

CLOSURE OF REGISTER OF MEMBERS

The H Share register of the Company will be closed from Saturday, 17 November 2018 to Monday, 17 December 2018 (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company whose names appear on the Company's register of members on Monday, 17 December 2018 are entitled to attend and vote at the EGM and the H Shares Class Meeting after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM and the H Shares Class Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar not later than 4:30 p.m. on Friday, 16 November 2018.

The address of the share registrar (for share transfer) for the Company's H Shares is as follows:

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

Holders of H Shares, who intend to attend the EGM and/or the H Shares Class Meeting, must complete the reply slips for attending the EGM and/or the H Shares Class Meeting and return them to the Office of the Board of Directors of the Company not later than 20 days before the date of the EGM and/or the H Shares Class Meeting, i.e. no later than Tuesday, 27 November 2018.

Details of the Office of the Board of Directors of the Company are as follows:

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

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

GENERAL INFORMATION

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

LETTER FROM THE BOARD

Your attention is drawn to the additional information set out in Appendix IV to this circular.

FURTHER INFORMATION

The completion of the Proposed Non-public Issuance of A Shares and the Subscription are subject to the satisfaction of certain conditions. Accordingly, the Proposed Non-public Issuance of A Shares and the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions they should take.

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Mr. Huang Xiaowen
Chairman



COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.*
中遠海運能源運輸股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1138)

30 November 2018

To the Independent Shareholders

Dear Sir or Madam,

**EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS'
RESOLUTIONS AND AUTHORISATION GRANTED TO THE
BOARD TO HANDLE MATTERS RELATING TO THE
PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

We refer to the circular of the Company dated 30 November 2018 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Share Issuance Extension Resolution, details of which are set out in the “Letter from the Board” in the Circular. Messis Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 7 to 20 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 23 to 30 of the Circular and the additional information set out in the appendices of this Circular.

Having taken into account, among other things, the principal factors considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser that while the Share Issuance Extension Resolution and the Subscription are not conducted in the ordinary and usual course of business of the Group, the terms of the Share Issuance Extension Resolution and the Subscription Agreement on normal commercial terms and that the Share Issuance Extension Resolution and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that you vote in favour of the resolutions to be proposed at the EGM and the relevant Class Meeting for approving the Share Issuance Extension Resolution.

Yours faithfully,

Independent Board Committee

Ip Sing Chi Ruan Yongping

Rui Meng Teo Siong Seng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in respect of the Share Issuance Extension Resolution.



30 November 2018

*To: The Independent Board Committee and the Independent Shareholders of
COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.**

Dear Sir or Madam,

EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD TO HANDLE ALL MATTERS RELATING TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Issuance Extension Resolution, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 November 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to the announcements of the Company dated 31 October 2017, 15 December 2017, 18 December 2017, 27 December 2017, 6 February 2018, 5 March 2018, 9 May 2018 and 30 October 2018, and the 2017 EGM Circular in respect of, inter alia, the Proposed Non-public Issuance of A Shares.

As at the Latest Practicable Date, the CSRC is still in the process of reviewing the Company’s application for the Proposed Non-public Issuance of A Shares. Considering that (i) the validity period of the then Shareholders’ resolutions relating to the Proposed Non-public Issuance of A Shares which was approved by the then Independent Shareholders at the 2017 EGM and 2017 Class Meetings; and (ii) the validity period of the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares, which was approved by the then Shareholders at the 2017 EGM and 2017 Class Meetings, will expire on 17 December 2018, the Board proposed to convene the EGM and the Class Meeting for the Independent Shareholders to consider, among others, the Share Issuance Extension Resolution. Save for the extensions of the validity period of the Shareholders’ resolutions relating to the Proposed Non-public Issuance of A Shares, and the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares for a further period of 12 months, i.e. commencing from 18 December

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2018 to 17 December 2019, there is no other change to the terms of the Proposed Non-public Issuance of A Shares previously disclosed by the Company. Therefore, the passing of the Extension Resolutions will not affect the validity of the Whitewash Waiver.

As at the Latest Practicable Date, COSCO Shipping and its associates control or are entitled to exercise control over the voting rights in respect of 1,554,631,593 A Shares and no H Shares, representing approximately 38.56% of all the issued Shares in the Company. Accordingly, COSCO Shipping is a controlling shareholder of the Company and therefore a connected person of the Company. The Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Share Issuance Extension Resolution are also subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. COSCO Shipping, being a subscriber under the Proposed Non-public Issuance of A Shares, has a material interest in the Proposed Non-public Issuance of A Shares. Therefore, COSCO Shipping and parties acting in concert with it and those Shareholders who are involved in or interested in the Proposed Non-public Issuance of A Shares will abstain from voting on the resolution to be proposed at the EGM and the Class Meetings to approve the Share Issuance Extension Resolution.

Mr. Huang Xiaowen, an executive Director, and Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua, who are non-executive Directors, hold directorship(s) or act as senior management in COSCO Shipping and/or its subsidiaries other than the Group, and accordingly, Mr. Huang Xiaowen, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua have abstained from voting on the relevant Board resolutions approving the Share Issuance Extension Resolution. As at the Latest Practicable Date, none of the aforementioned Directors hold any Shares. Save as aforementioned, none of these Directors has a material interest in the Proposed Non-public Issuance of A Shares and the Subscription and hence no other Director has abstained from voting on such Board resolutions.

The Independent Board Committee (comprising all independent non-executive Directors, namely, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng, and Mr. Teo Siong Seng), has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Share Issuance Extension Resolution. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we did not have any relationship with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we were appointed as an independent financial adviser for the Company on two occasions, details of which are set out in the Company's circular dated 4 December 2017 and the Company's announcement dated 12 November 2018. During the past two years, we were also appointed as an independent financial adviser for COSCO SHIPPING Development Co., Ltd. (stock code: 2866), a connected person of the Company, for several occasions details of which are set out in its circulars dated 1 December 2016, 19 May 2017, 31 May 2017,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

10 May 2018 and 4 September 2018. Notwithstanding the above, the previous engagements with the Company would not affect our independence from the Company and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules, in particular that we did not serve as a financial adviser to (i) the Company, (ii) COSCO Shipping or its subsidiaries, and (iii) any core connected person of the Company within 2 years prior to 19 November 2018, being date of making our independence declaration to the Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Share Issuance Extension Resolution.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Share Issuance Extension Resolution. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. Background and Reasons for the Share Issuance Extension Resolution

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, liquefied natural gas shipment and vessel chartering.

COSCO Shipping is a state-owned enterprise and is the indirect controlling shareholder of the Company through China Shipping. COSCO Shipping is principally engaged in international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

As disclosed in the 2017 EGM Circular, the Company and COSCO Shipping entered into the Subscription Agreement pursuant to which COSCO Shipping has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of A Shares for an amount of not more than RMB4.2 billion under the Proposed Non-public Issuance of A Shares.

We refer to the 2017 EGM Circular and noted that the conditions precedent to the Proposed Non-public Issuance of A Shares and the Subscription are obtaining the approval from (i) the Board and the Shareholders at the 2017 EGM and the 2017 Class Meetings; (ii) the SASAC; (iii) the CSRC; and (iv) the obtaining of Whitewash Waiver, subject to (a) the issue of the new securities being approved by a vote of the Independent Shareholders at the 2017 EGM and the 2017 Class Meetings, to be taken on a poll; and (b) unless the Executive gives prior consent, no acquisition or disposal of voting rights of the Company being made by COSCO Shipping and parties acting in concert with it between the date of the announcement of the Company on 31 October 2017 and the completion of the Subscription. We have (a) enquired the management of the Company and (b) reviewed the announcements made by the Company regarding the progress of fulfilling the abovementioned conditions precedent. We refer to the announcement of the Company dated 15 December 2017 that SASAC has approved the Proposed Non-public Issuance of A Shares and the Subscription. As such, one of the conditions precedent for the Proposed Non-public Issuance of A Shares and the Subscription has been fulfilled. In addition, the Whitewash Waiver has been granted by the Executive on 15 December 2017. Further, according to the announcement of the Company dated 18 December 2017 (the “**Poll Results Announcement**”), the Proposed Non-public Issuance of A Shares has been approved by the Board on 30 October 2017 and has been approved by the Independent Shareholders at the 2017 EGM and the 2017 Classing Meetings on 18 December 2017.

Further, it is also set out in the Whitewash Waiver granted by the Executive that COSCO Shipping and parties acting in concert with it should continue to comply fully with Schedule VI to the Takeovers Code. If there is any non-compliance with the Takeovers Code or any material change to the information provided, the Executive should be advised immediately so that the Executive can determine whether the Whitewash Waiver remains valid. COSCO Shipping has confirmed that it and parties acting in concert with it have fully complied with and will continue to comply with Schedule VI to the Takeovers Code, in particular, unless the Executive gives prior consent, no acquisition or disposal of voting rights of the Company was and will be made by COSCO Shipping and parties acting in concert with it between the date of the announcement of the Company on 31 October 2017 and the completion of the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 27 December 2017, the Company announced that it received the “Acceptance Notice of the Application for Administrative Permission from the CSRC (No. 172605) (《中國證監會行政許可申請受理書》(172605號))” issued by the CSRC and pursuant to which, the CSRC considered that the application materials were complete and in compliance with the statutory form and therefore decided to accept the Application for further processing. The Company then made an announcement on 5 March 2018 which disclosed that CSRC issued “Notice Regarding CSRC’s First Feedback on the Review of Administrative Permission Items” (No.172605) (《中國證監會行政許可項目審查一次反饋意見通知書》(172605號)) on 6 February 2018, and in response to the comments raised by the CSRC, on 5 March 2018, COSCO Shipping provided a non-disposal undertaking and a financial undertaking in respect of the safety of capital of the Company. In addition, the Company further announced on 9 May 2018 that the Company received a notification letter from the CSRC in respect of “preparation for the meeting of the issuance committee of the CSRC to consider the Proposed Nonpublic Issuance of A Shares” (《關於請做好相關項目發審委會議準備工作的函》) on 29 March 2018. In accordance with the requirements of the notification letter, the Company and the relevant intermediaries carefully studied and replied on 9 May 2018 to the questions raised in the Notification Letter. As advised by the management of the Company, after the replies were submitted, CSRC is currently reviewing the replies and has not issued further written enquires to the Company in relation to the Revised Proposed Non-public Issuance of A Shares at the Latest Practicable Date.

Based on the above, the approval from the CSRC is the only outstanding condition precedent of the Proposed Non-public Issuance of A Shares. As advised by the management of the Company, it is uncertain whether the written approval from the CSRC will be obtained before the expiry of the validity period of the then Shareholders’ resolutions regarding the Proposed Non-public Issuance of A Shares passed at the 2017 EGM and the 2017 Class Meetings and authorisation granted to the Board and any person authorised by the Board to handle all matters in connection with the Proposed Non-public Issuance of A Shares at the 2017 EGM and the 2017 Class Meetings. In addition, after the Company has obtained the written approval from the CSRC, it is expected that the Company will need certain amount of time to handle the administrative matters for the implementation of the Proposed Non-public Issuance of A Shares.

Based on the aforementioned independent work done and discussion with the management of the Company, we are of the view and concur with the view of the Directors that it is fair and reasonable to extend the validity period of the then Shareholders’ resolutions regarding the Proposed Non-public Issuance of A Shares passed at the 2017 EGM and the 2017 Class Meetings and authorisation granted to the Board and any person authorised by the Board to handle all matters in connection with the Proposed Non-public Issuance of A Shares at the 2017 EGM and the 2017 Class Meetings for a further period of 12 months, commencing from 18 December 2018.

2. Reasons for and Benefits of the Revised Proposed Non-public Issuance of A Shares and the Subscription

As disclosed in the 2017 EGM Circular, the Board considers that the Proposed Non-public Issuance of A Shares is conducive to the comprehensive and sustainable development of the Company’s business and would provide funding for Company’s further development in its maritime transportation business.

On 30 October 2017, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 806,406,572 A Shares (subject to adjustment) to not more than 10 specific target subscribers, including COSCO Shipping, which would raise gross proceeds

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of RMB5.4 billion (inclusive of the subscription for an amount of not more than RMB4.2 billion by COSCO Shipping pursuant to the Subscription Agreement) and that the net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Proposed Non-public Issuance of A Shares estimated to be approximately RMB24 million) are expected to be approximately RMB5.38 billion, which are intended to use (i) as to approximately RMB4.99 billion for the construction of 14 oil tankers; and (ii) as to approximately RMB0.41 billion for the completion of acquisition of two Panamax oil tankers previously entered into. To the extent the actual proceeds to be raised from the Proposed Non-public Issuance of A Shares are less than the aggregate amount of the proceeds as per the above allocation, the Company will make up for the shortfall by utilising its internal resources or other means of financing. As disclosed in the 2017 EGM Circular, the long term capital raised from the Proposed Non-public Issuance of A Shares would optimise the Company's capital structure and reduce the Company's consolidated debt-to-asset ratio and the acquisition of the oil tankers can supplement and upgrade its shipping capacity on a timely basis and optimise the age composition of the fleet further to maintain and increase its shipping capacity and reduce its fleeting operating costs.

According to the interim report of the Company for the six months ended 30 June 2018, as at 30 June 2018, the cash and cash equivalents were approximately RMB4.7 billion, which is expected to meet capital needs of regular operating cash flows of the Group. Further, taking into account the Group's high net-debt-to-equity ratio (as calculated by net debt over total equity) of approximately 88.2% as at 30 June 2018, raising capital from debt financing may lead to increase in the Company's gearing position. In contrast, raising funds by way of equity financing from the Proposed Non-public Issuance of A Shares could improve the leverage position of the Group. For other means of equity financing, given that the issued H Share capital of the Company is significantly lower than the issued A Share capital of the Company, the expected size of the fund to be raised by rights issue, open offer or placement of H Shares will be less than approximately RMB5.4 billion. Further, if the Company were to conduct a fund raising exercise by issuance of new H Shares with a proceed of RMB5.4 billion, assuming that an equivalent pricing basis under the Proposed Non-public Issuance of A Shares is adopted to determine the benchmark price for the H Share issuance, the number of H Shares to be issued will be substantially more than that required for the Proposed Non-public Issuance of A Shares. This would lead to a greater dilution effect on the shareholding of the existing Shareholders and would not be in the interests of the Independent Shareholders.

Based on the above, we concur the views from the Directors that the Proposed Non-public Issuance of A Shares, the Subscription and hence the Share Issuance Extension Resolution are in the interests of the Company and the Shareholders as a whole.

3. Terms of the Proposed Non-public Issuance of A Shares and Subscription

Save for the (i) the extension of the validity period of the then Shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares, for a further period of 12 months, commencing from 18 December 2018; and (ii) the extension of the validity period of the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares, for a further period of 12 months, commencing from 18 December 2018, all other terms of the Proposed Non-public Issuance of A Shares and the Subscription remain unchanged and in full force and effect.

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In particular, as disclosed in the 2017 EGM Circular, the issue price of the A Shares to be issued under the Proposed Non-public Issuance of A Shares shall not be lower than both (i) 90% of the average trading price (i.e. the average trading price of the A Shares during the 20 trading days immediately preceding the price determination date) and (ii) the net asset value per share as set out at the latest audited consolidated financial statement of the Company. As disclosed in the 2017 EGM Circular, as at the latest practicable date thereof, the net asset value per Share as set out in the audited consolidated financial statements of 2016 of the Company was RMB6.81, on such basis, it was expected that the minimum issue price would, subject to regulatory approval, be at least RMB6.81 (that is, the benchmark price). In the event that the issue price is fall below the benchmark price, the Company will re-comply with the necessary approval requirements including, among other things, Independent Shareholders' approval requirements under the Listing Rules and will apply for a new whitewash waiver under the Takeovers Code. We noted that the basis of determining subscription price of the Subscription remain unchanged. We obtained and reviewed the aforesaid regulations (including ("Decision on Amending Implementing Rules on Non-Public Issuance of Shares by Listed Companies*") 《關於修改〈上市公司非公開發行股票實施細則〉的決定》, (the "Issuance Regulatory Questions and Answers — Regulatory Requirements regarding Guiding and Regulating Listed Companies' Financing Activities*") 《發行監管問答 — 關於引導規範上市公司融資行為的監管要求》 (collectively, the "**New PRC Regulations**") published by the CSRC on 17 February 2017) and the "Measure for Administration of the Issuance of Securities by Listed Companies" (《上市公司證券發行管理辦法》) (the "**Measures**"). We considered that the basis of determining the issue price is in compliance with the regulations of the PRC.

The final issue price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead manager) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Proposed Non-public Issuance of A Shares. All the target subscribers will subscribe for the A Shares under the Proposed Non-public Issuance of A Shares at the same issue price in cash.

COSCO Shipping will not participate in the price inquiry exercise for the Proposed Non-public Issuance of A Shares, and will accept the price inquiry results and subscribe for the A Shares at the same issue price as other target subscribers.

According to the 2017 EGM Circular, COSCO Shipping shall not transfer the A Shares subscribed under the Proposed Non-public Issuance of A Shares within 36 months from the date of the completion of the Proposed Non-public Issuance of A Shares. All other target subscribers shall not transfer the A Shares subscribed under the Proposed Non-public Issuance of A Shares within 12 months from the date of the completion of the Proposed Non-public Issuance of A Shares. Having considered that the above lock-up periods were determined in accordance with the New PRC Regulations, which stipulates that the lock-up period of shares shall be 36 months for share issued to certain categories of subscribers (including controlling shareholders, actual controllers and strategic investors introduced by the board of the listed issuer), and 12 months for share issued to other types of subscribers, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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Given that (i) the issue price will reflect the then latest market prices of the A Shares; (ii) the basis of the issue price is in compliance with the New PRC Regulations and the Measures; (iii) all subscribers will subscribe the A Shares at the same issue price and (iv) save for the Extension Resolutions, all other terms of the Proposed Non-public Issuance of A Shares and the Subscription remain unchanged and in full force and effect, we concur with the Directors that the terms of the Proposed Non-public Issuance of A Shares and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned.

Having taking into consideration that (i) there will be no change in the proposed use of net proceeds from the Proposed Non-public Issuance of A Shares as disclosed in the 2017 EGM Circular, and is in line with the business strategy of the Group; (ii) the Proposed Non-public Issuance of A Shares and the Subscription is in the interests of the Company and the Shareholders as a whole; (iii) save for the Extension Resolutions, all other terms of the Revised Proposed Non-public Issuance of A Shares remain unchanged and in full force and effect and hence terms of the Proposed Non-public Issuance of A Shares and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned; (iv) approval from the CSRC is the only outstanding condition precedent of the Proposed Non-public Issuance of A Shares; (v) CSRC has not issued further written enquires to the Company in relation to the Proposed Non-public Issuance of A Shares at the Latest Practicable Date and (vi) it is uncertain whether the written approval from the CSRC will be obtained before the expiry of the validity period of the then Shareholders' resolutions relating to the Proposed Non-public Issuance of A Shares and the authorisation granted to the Board and any person authorised by the Board to handle all matters relating to the Proposed Non-public Issuance of A Shares, we concur with the Directors' view that the Share Issuance Extension Resolution is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION AND CONCLUSION

Having taken into account the above-mentioned principal factors and reasons regarding the Share Issuance Extension Resolution and the Subscription, we are of the opinion that while the Share Issuance Extension Resolution and the Subscription are not conducted in the ordinary and usual course of business of the Group, the Share Issuance Extension Resolution and the Subscription are in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Share Issuance Extension Resolution and the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the Share Issuance Extension Resolution to be proposed at the EGM and the Class Meetings.

** For identification purpose only*

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

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The Company hereby announces the principal content of the proposed Revised Scheme and the proposed grant thereunder as follows:

I. Purpose of the Revised Scheme

The purposes of the Revised Scheme are:

1. to effectively align the interests of Shareholders and the senior management of the Company, maximising Shareholders' interest and increasing the value of state-owned assets;
2. to ensure the Company offers remuneration and incentive package which is competitive in the PRC labour market, attracting and incentivising key personnel of the Company to strive for the strategic goals of the Company; and
3. to align the remuneration of the senior management and key personnel of the Company with the overall performance of the Company through the Revised Scheme, motivating such persons to attend to and jointly strive for the long-term strategic targets of the Company.

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

II. Source of Shares under the Revised Scheme

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

Under the Revised Scheme, the source of the underlying shares shall be the ordinary A Shares to be issued by the Company to the Participants.

III. Number of Share Options proposed to be granted under the Revised Scheme

The total number of Share Options that may be granted to Participants under the Revised Scheme shall not exceed 35,787,000, i.e. not exceeding approximately 0.89% of the Company's total issued Shares as at the Latest Practicable Date and approximately 1.31% of the Company's total issued A Shares as at the date of approval of the Revised Scheme by the Shareholders (assuming that the non-public issuance of not exceeding 806,406,572 new A Shares by the Company will complete after the date of approval of the Revised Scheme by the Shareholders). Please refer to the announcements of the Company dated 31 October 2017, 15 December 2017, 18 December 2017, 27 December 2017, 6 February 2018, 5 March 2018, 9 May 2018 and 30 October 2018 respectively and the circular of the Company dated 4 December 2017 for details regarding the non-public issuance of A Shares.

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

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IV. Determination and allocation of Participants of the Revised Scheme

There are 134 Participants (which constitute approximately 4.24% of the total number of employees of the Company as of 31 December 2017) pursuant to the Revised Scheme, including Directors (but excluding independent Directors), senior management and other management and core technical personnel of the Company who have direct impact on the operation results and development of the Company.

The Participants do not include substantial Shareholders or controllers of the Company who individually or jointly hold 5% or more of the Shares, or their spouse, parents or children.

The allocation of Share Options to be granted to Participants is set out below:

Names	Positions	Percentage of the total number of	
		Share Options to be granted (thousands)	Share Options under this grant
Liu Hanbo (劉漢波)	General Manager	475	1.327%
Lu Junshan (陸俊山)	Secretary of Party Committee	475	1.327%
Yang Shicheng (楊世成)	Deputy General Manager	427	1.193%
Qin Jiong (秦炯)	Deputy General Manager	427	1.193%
Xiang Yongmin (項永民)	General accountant	427	1.193%
Luo Yuming (羅宇明)	Deputy General Manager	427	1.193%
Tu Shiming (屠士明)	Secretary of Committee for Discipline Inspection	427	1.193%
Zhao Jinwen (趙金文)	Deputy General Manager	427	1.193%
Li Zhuoqiong (李倬瓊)	General counsel, Secretary of the Board	380	1.062%
Zhao Yuguang (趙宇光)	Assistant to General Manager	380	1.062%
Other management and core technical personnel (124 persons)		31,515	88.063%
Total (134 Participants):		35,787	100%

Note:

1. The number of Share Options to be granted to each Participant under the Revised Scheme does not exceed 1% of the total Share capital of the Company on the date of the announcement of the Company dated 30 October 2018.

V. Exercise Price of Share Options and basis of determination

The Exercise Price of Share Options to be granted pursuant to the Revised Scheme shall be RMB6.00 per Share (after adjustment resulting from the distribution of final dividend of RMB0.05 per share in respect of the period ended 31 December 2017 to the shareholders of the A Shares).

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The Exercise Price of Share Options to be granted shall be the highest of the following:

1. the average trading price of the A Shares on the last trading day immediately preceding the date of the Scheme Announcement (RMB6.02);
2. the average of the trading prices of the A Shares for the last 20 trading days immediately preceding the date of the Scheme Announcement (RMB6.04);
3. the closing price of the A Shares on the last trading day immediately preceding the date of the Scheme Announcement (RMB6.01);
4. the average of the closing prices of the A Shares for the last 30 trading days immediately preceding the date of the Scheme Announcement (RMB6.05);
5. RMB1.00, being the nominal value of an A Share.

During the period between the announcement of the Company dated 19 December 2017 and the completion of Exercise of Share Options by the Participants, in the event of capitalisation issue, bonus issue, sub-division or consolidation of Shares, right issue or declaration of dividends of the Company, the Exercise Price of Share Options shall be adjusted accordingly.

VI. Timing for Share Options under the Revised Scheme

(1) Validity Period

The Revised Scheme shall be effective for seven years from the Date of Grant.

(2) Date of Grant

Date of Grant will be determined by the Board upon approval of the Revised Scheme by Shareholders at the Shareholders' meetings and by other applicable regulatory authorities as may be required. The Date of Grant must be a trading day. Within 60 days from the Shareholders' approval, the Company may grant Share Options to the Participants and complete the announcement and registration procedures in accordance with the relevant regulatory requirements.

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

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

(3) Vesting Period

Vesting Period represents the minimum period a Share Option must be held before it can be Exercised, which is 24 months from the Date of Grant pursuant to the relevant requirements of SASAC.

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(4) Exercise Date

The Exercise Date must be a trading day.

If the Conditions of Exercise stipulated under the Revised Scheme are fulfilled after expiry of the 24-month period from the Date of Grant, Participants shall Exercise their Share Options in stages within the next 60 months.

The arrangements of each stage of Exercise of the Share Options are as follows:

Exercise Period	Duration	Exercise Proportion
First Exercise period	Commencing on the first trading day after expiry 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	33%
Second Exercise period	Commencing on the first trading day after expiry 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	33%
Third Exercise period	Commencing on the first trading day after expiry 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	34%

If the Conditions of Exercise are not fulfilled, the Share Options for that period shall not be Exercised and shall not be accumulated to the next exercise period, and such portion of the Share Options not Exercised shall be cancelled by the Company.

If the Conditions of Exercise are met, but the Share Options are not exercised during the corresponding exercise period above, they will lapse automatically upon expiry of the corresponding exercise period.

(5) Lock-up period

Lock-up period represents the period during which no Shares issued to Participants upon Exercise shall be sold. Lock-up period under the Revised Scheme will be implemented in accordance with the relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Articles of Association, and detailed requirements are set out below:

1. where the Participant is a Director or senior management of the Company, the number of Shares that may be transferred by the Participant per year during his term of office must not exceed 25% of the total number of Shares held by him; and he shall not transfer the Shares held by him within 6 months after his resignation;
2. where the Participant is a Director or senior management of the Company, all gains from the sale of any Shares owned by the Participant within 6 months of acquisition of such Shares, or from the subsequent acquisition of Shares by the Participant who sold shares within 6 months immediately before such acquisition, shall be accounted to the Company and the Board will collect all such gains;
3. if, during the validity period of the Revised Scheme, there is any amendment to the relevant requirements regarding the transfer of Shares held by a Director and senior management of the Company under the relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Articles of Association, the amended relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and Articles of Association shall apply to the transfer of Shares held by such Participants.

VII. Conditions of Grant and Conditions of Exercise under the Revised Scheme

1. Conditions of Grant of the Share Options

The following conditions must be fulfilled by the Company and the Participants before Share Options are granted:

(1) None of the following circumstances has occurred to the Company:

1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives an adverse opinion or a disclaimer of opinion;
2. issue of an audit report containing an adverse opinion or a disclaimer of opinion by a certified public accountant in the internal control report for the most recent accounting year;
3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months;

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4. prohibition from participation in share incentive schemes by laws and regulations;

5. other circumstances as determined by the CSRC.

(2) *None of the following circumstances has occurred to the relevant Participant:*

1. having been declared an inappropriate candidate by the Shanghai Stock Exchange in the past 12 months;

2. having been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;

3. having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months due to material violation of laws and regulations;

4. being prohibited from acting as a Director or a member of senior management of the Company by the Company Law;

5. being prohibited from participating in share incentive schemes of listed companies by laws and regulations;

6. other circumstances as determined by the CSRC.

(3) *The performance of the Company fulfills the following conditions:*

1. return on net assets (i.e. earnings before interest, taxes, depreciation and amortization over net assets) shall be no less than 15% in the most recent accounting year before the grant of the Share Options; and

2. economic value added (EVA) shall meet the Company's target set by SASAC.

Notes:

1. The above-mentioned "return on net assets" represents: the weighted average return on net assets attributable to the shareholders of the listed company (net of non-recurring profits and losses). In the event of refinancing by the Company, the net assets for the year of financing is calculated after deducting the proceeds of financing.

2. The calculation of "return on net assets" and "EVA" as mentioned above shall exclude any interest held by the Company in China Shipping Bulk Co., Limited (中海散貨運輸有限公司) ("CS Bulk") as the Company's interests in CS Bulk have all been disposed of in or around 2016.)

(4) *The performance of the Participant fulfills the following conditions:*

The Participant obtains “pass” or better grading at the personal performance appraisal conducted by the human resources department of the Company in the most recent accounting year before the grant of the Share Options.

2. *Conditions of Exercise of the Share Options*

Participant’s right to Exercise the granted Share Options shall be subject to fulfilment of all of the following conditions:

(1) *None of the following circumstances has occurred to the Company:*

1. issue of the Company’s financial and accounting report for the most recent accounting year in which a certified public accountant gives an adverse opinion or a disclaimer of opinion;
2. issue of an audit report containing an adverse opinion or a disclaimer of opinion by a certified public accountant in the internal control report for the most recent accounting year;
3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months;
4. prohibition from participation in share incentive schemes by laws and regulations;
5. other circumstances as determined by the CSRC.

(2) *None of the following circumstances has occurred to the relevant Participant:*

1. having been declared an inappropriate candidate by the Shanghai Stock Exchange in the past 12 months;
2. having been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;
3. having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months due to material violation of laws and regulations;
4. being prohibited from acting as a Director or a member of senior management of the Company by the Company Law;
5. being prohibited from participating in share incentive schemes of listed companies by laws and regulations;

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6. other circumstances as determined by the CSRC.

(3) *Appraisal requirements of the Company's performance*

The performance targets of each Exercise period for Share Options:

Exercise Period	Performance targets
First Exercise period	Return on net assets shall be no less than 16% in the most recent accounting year before the Share Options become effective; the compound growth rate of revenue shall be no less than 4% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry;
Second Exercise period	Return on net assets shall be no less than 17% in the most recent accounting year before the Share Options become effective; the compound growth rate of revenue shall be no less than 5% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry;
Third Exercise period	Return on net assets shall be no less than 18% in the most recent accounting year before the Share Options become effective; the compound growth rate of revenue shall be no less than 5.5% as compared to 2017; the two aforesaid indicators shall be no less than the 75th percentile of peer benchmark enterprises of the same industry.

The economic value added (EVA) shall also meet the Company's target set by SASAC.

Notes:

1. The above-mentioned "return on net assets" represents: the weighted average return on net assets attributable to the shareholders of the listed company (net of non-recurring profits and losses). In the event of refinancing by the Company, the net assets for the year of financing is calculated after deducting the proceeds of financing.
2. If the Conditions of Exercise are fulfilled, the Participant may Exercise in accordance with the requirements of the Revised Scheme. If the performance of the Company does not meet the above conditions, the number of relevant Share Options of all Participants within the relevant Exercise period shall be cancelled by the Company.

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3. 18 A shares listed companies, Hong Kong listed companies and companies listed in other stock exchanges with similar businesses as the Company have been selected as benchmark companies of the same industry according to the industry classification standard stipulated by CSRC.

(4) *The performance of the Participant fulfills the following conditions:*

The Participant obtains “pass” or better grading at the personal performance appraisal conducted by the human resources department of the Company in the most recent accounting year before the Share Options become effective.

For calculation of the return on net assets of the Company, all non-recurring gains or losses of the Company shall be deducted.

VIII. Accounting Treatment of the Revised Scheme***(1) Calculation of the fair value of Share Options***

According to the relevant requirements regarding the recognition of fair value under Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement (《企業會計準則第 22 號—金融工具確認和計量》), an appropriate valuation model shall be selected for the calculation of the fair value of Share Options. The Company uses Black-Scholes Model to calculate the fair value of Share Options and has used this model to make a preliminary calculation of the fair value of the Share Options to be granted (formal calculation will be conducted at the time of grant): the value of each Share Option of the Company is approximately RMB0.98, and the aggregate value of 35,787,000 Share Options to be granted under the Revised Scheme is RMB35,071,260.

(2) Amortisation method of Share Option expenses

According to the relevant requirements of Enterprise Accounting Standard No. 11 – Share-based Payments (《企業會計準則第 11 號—股份支付》), the Company will update the expected amount of Share Options exercisable on each balance sheet date during the period from the Date of Grant to the Exercise Date of each portion of the Share Options based on subsequent information such as the latest available number of Participants who are entitled to Exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserve based on the fair value of the Share Options on the Date of Grant.

(1) Fair value and determination of Share Options

According to the relevant requirements under Enterprise Accounting Standard No. 11 – Share-based Payments (《企業會計準則第 11 號—股份支付》) and Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement (《企業會計準則第22 號—金融工具確認和計量》), the Company selects Black-Scholes Model (B-S Model) as the pricing model. Based on the calculation by the Company on the Latest Practicable Date, fair value of each Share Option amounted to RMB0.98 (formal calculation will be conducted upon the grant). Detailed reference factors are as follows:

- | | | |
|-----|----------------------|--|
| (1) | Price of Share: | RMB4.06/Share (close price of the A Shares on 12 September 2018) |
| (2) | Exercise Price: | RMB6.00/Share (exercise price set by the Board according to the regulations of CSRC and the SASAC) |
| (3) | Expected life: | approximately 3.83 years (weighted expected effective period) |
| (4) | Expected volatility: | 42.82% (based on the historical volatility rate of the Company) |

APPENDIX I SUMMARY OF PROPOSED PRINCIPAL TERMS OF THE REVISED SCHEME

(5) Risk-free interest rate: 3.4584% (based on the 3.83-year yield to maturity of the national bond rate)

(6) Expected dividend: 0.00% (not applicable)

(2) *Expected impact of Share Options on operating result for each period*

The costs of Share Options incurred under the Revised Scheme will be recorded as expenses in recurring profits and losses and will be amortised during the Vesting Period and the period when the Share Options may be Exercised.

Regardless of the stimulation effects of the Revised Scheme on the performance of the Company, the Company expects that the amortisation of the costs of the Revised Scheme will affect net profits of each year during the Validity Period, but the impact will not be significant.

IX. Method and Procedures of Adjustment to the Number and Exercise Price of Share Options

In the event of capitalisation issue, bonus issue, sub-division, rights issue or consolidation of Shares prior to any Exercise, the number of Share Options shall be adjusted accordingly in the following manner:

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

$$Q = Q0 \times (1 + n)$$

Where: Q0 represents the number of Share Options before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares (i.e. the number of increased Shares per Share upon capitalisation issue, bonus issue or subdivision of Shares); Q represents the adjusted number of Share Options.

(2) *Consolidation of Shares*

$$Q = Q0 \times n$$

Where: Q0 represents the number of Share Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into n Shares); Q represents the adjusted number of Share Options.

(3) *Rights issue*

$$Q = Q0 \times P1 \times (1 + n) / (P1 + P2 \times n)$$

Where: Q0 represents the number of Share Options before the adjustment; P1 represents the closing price as at the record date; P2 represents the subscription price of the rights issue; n represents the ratio of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total Share capital of the Company before the rights issue); Q represents the adjusted number of Share Options.

(4) *New issue of Shares*

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

In the event of any dividend distribution, capitalisation issue, bonus issue, sub-division, rights issue or consolidation of Shares prior to any Exercise, the Exercise Price shall be adjusted accordingly in the following manner:

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

$$P = P0 \div (1 + n)$$

Where: P0 represents the Exercise Price before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares; P represents the adjusted Exercise Price.

(2) *Consolidation of Shares*

$$P = P0 \div n$$

Where: P0 represents the Exercise Price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted Exercise Price.

(3) *Declaration of dividend*

$$P = P0 - V$$

Where: P0 represents the Exercise Price before the adjustment; V represents the dividend rate per Share; P represents the adjusted Exercise Price. After the adjustment, P shall be a positive number.

(4) *Rights issue*

$$P = P0 \times (P1 + P2 \times n) / [P1 \times (1 + n)]$$

Where: P0 represents the Exercise Price before the adjustment; P1 represents the closing price as at the record date; P2 represents the subscription price of the rights issue; n represents the ratio of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total Share capital of the Company before the rights issue); P represents the adjusted Exercise Price.

(5) *New issue of shares*

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

The Shareholders' meetings will authorise the Board to make adjustments to the Exercise Price and number of Share Options upon occurrence of any of the aforesaid circumstances. The Company shall engage legal adviser to advise on whether such adjustment is in compliance with the requirements under the Administrative Measures, the Articles of Association and the Revised Scheme.

X. Procedures of adoption of the Revised Scheme, grant of Share Options by the Company and Exercise by the Participants

(1) *The procedures of adoption of the Revised Scheme include, among other things:*

1. with the approval by SASAC in respect of the Scheme being obtained on 1 February 2018, the Revised Scheme will be submitted to the Shareholders' meetings for consideration. During the voting process of the Revised Scheme at the Shareholders' meetings, independent Directors shall collect proxy voting rights regarding the Revised Scheme from all Shareholders, and the Company will provide the choice of voting on site and via the Internet.
2. upon consideration and approval of the Revised Scheme at the Shareholders' meetings, the Company will grant Share Options to Participants which may be capable of exercise over a specific period subject to the Conditions of Exercise referred to above. Date of Grant must be a trading day and shall comply with relevant requirements.

(2) *The procedures of grant of Share Options and Exercise by the Participants include, among other things:*

1. *Grant procedures of Share Options*

- (1) The Company will issue the “Notice of grant of Share Options” to the Participants on the Date of Grant, notifying the Participants of the number, the date and the Exercise Price of and the arrangement for effecting the Share Options granted. To accept such grant, the Participant will sign the “Notice of grant of Share Options” within three working days.
- (2) The Company will sign the “Stock Options Grant Agreement” with the Participants whereby the obligations of and the relationship between the parties are stipulated.
- (3) The Board will implement the grant of Share Options in accordance with the regulations of SASAC, CSRC, Shanghai Stock Exchange, China Securities Depository and Clearing Corporation Limited and other applicable regulatory authorities as may be required, make disclosure of the status of the grant of Share Options and report the status of the grant of Share Options to the SASAC.

2. *Exercise procedures of the Participants*

Holders of Share Options shall pay the relevant subscription price to the Company on the Exercise Date and Exercise in accordance with the corresponding manner.

(3) *The amendment and termination procedures of the Revised Scheme include, among other things:*

1. *Amendment procedures of the Revised Scheme*

- (1) If the Company intends to amend the Revised Scheme prior to its consideration at the Shareholders’ Meetings, such amendment shall be considered and approved by the Board.
- (2) If the Company intends to amend the Revised Scheme after it is approved at the Shareholders’ Meetings, such amendment shall be considered and determined at a general meeting provided that such amendment shall not result in the following:
 - (i) accelerating the Exercise or the early release from restricted sales of Share Options already granted;

- (ii) reducing the Exercise Price (except where the Exercise Price is reduced due to and pursuant to the adjustment mechanism under paragraph headed “IX. Method and Procedures of Adjustment to the Number and Exercise Price of Share Options” above) or the price of the grant of Share Options already granted.

2. *Termination procedures of the Revised Scheme*

- (1) The Revised Scheme will automatically expire in seven years from the date of the approval of the Revised Scheme at the Shareholders’ Meeting.
- (2) If the Board considers that it is necessary to terminate the Revised Scheme before the expiry of the Revised Scheme, such termination shall be considered and approved at a general meeting.

XI. Rights and obligations of the Company and the Participants

(1) The rights and obligations of the Company include, among other things:

- 1. the Company shall have the right to request the Participants to comply with the requirements of his job position as stipulated by the Company, and if the Participants cannot fulfil his job requirements or he fails the personal performance appraisal, the Company may cancel the Share Options which have not been Exercised;
- 2. if the Participants breaches his obligation of integrity under the Company Law and the Articles of Association, or impairs the interests and reputation of the Company due to breach of law, violation of professional ethics, releasing confidential information of the Company, breach of duty or malfeasance, the Company shall cancel the Share Options which have not been Exercised; if the breach is serious, the Board shall have the right to recover all or part of the gains or interests deriving from the Share Options;
- 3. the Company shall withhold and remit the individual income tax and other taxes which are required to be paid by the Participants in accordance with PRC tax laws;
- 4. the Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to Participants under the Revised Scheme;
- 5. the Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Revised Scheme in accordance with the relevant requirements;
- 6. the Company shall actively support the Participants who have fulfilled the Conditions of Exercise to Exercise in accordance with the relevant requirements including those of the Revised Scheme, CSRC, Shanghai Stock Exchange, China Securities Depository and Clearing Corporation Limited and other applicable regulatory authorities as may be required. However, the Company disclaims any liability for any loss suffered by a

Participant arising from the inability to Exercise as he desires due to reasons relating to CSRC, Shanghai Stock Exchange, China Securities Depository and Clearing Corporation Limited or other applicable regulatory authorities as may be required;

7. other relevant rights and obligations as stipulated by laws and regulations.

(2) *The rights and obligations of the Participants include, among other things:*

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

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

XII. Handling of changes in relation to the Company and Participants

(1) Changes in relation to the Company

1. The Board shall be authorised to determine whether to continue, amend, suspend or terminate the Revised Scheme upon occurrence of any of the following to the Company:
 - (1) change of control of the Company;
 - (2) situations such as the consolidation or demerger of the Company;
 - (3) other material change to the Company.
2. The Revised Scheme shall be terminated immediately upon occurrence of any of the following to the Company:
 - (1) issue of the Company's financing and accounting report for the most recent accounting year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
 - (2) issue of an audit report containing an adverse opinion or indication of inability to give an opinion by a certified public accountant in the internal control of financial reporting for the most recent accounting year;
 - (3) prohibition from participation in share incentive schemes by laws and regulations;
 - (4) other circumstances under which the Revised Scheme shall be terminated as determined by the CSRC.

In the event of occurrence of any of the above situations, all Share Options which are exercisable but not Exercised shall be terminated, and the Share Options which are not exercisable shall be cancelled.

(2) Changes in relation to the Participants

1. Upon occurrence of any of the following to a Participant, the Board may, on the date of the occurrence of such event, terminate his Share Options which are exercisable but not Exercised, cancel his Share Options which are not exercisable and the Board shall recover the gain by the Participants under the Revised Scheme:

APPENDIX I SUMMARY OF PROPOSED PRINCIPAL TERMS OF THE REVISED SCHEME

- (1) the economic responsibility audit results show that he has not effectively performed his duties or there is a serious breach of duty or malfeasance acts;
 - (2) violation of PRC laws and regulations and Articles of Association;
 - (3) during his term of employment, he has been involved in bribery, corruption, theft, disclosure of commercial and technical secrets of the Company, real-time connected transactions which impair the interest and reputation of the Company, and illegal acts which have material adverse effect to the image of the Company, leading to the losses of the Company.
2. Upon occurrence of any of the following to a Participant which leads to the Participant losing his eligibility to participate in the Revised Scheme, the Board may, on the date of the occurrence of such event, terminate his Share Options which are exercisable but not Exercised, and cancel his Share Options which are not exercisable:
 - (1) the Participant has been deemed as an inappropriate candidate by Shanghai Stock Exchange in the last 12 months;
 - (2) the Participant has been deemed as an inappropriate candidate by CSRC and its agencies in the last 12 months;
 - (3) administrative punishment or market forbidden measures has been imposed against the Participant by CSRC and its agencies due to material violations of laws and regulations in the last 12 months;
 - (4) subject to the circumstances where he shall not serve as directors or senior management personnel of the Company pursuant to the Company Law;
 - (5) the job duties of the Participant have been changed or the employment relationship between the Participant and the Company has been terminated due to the impairment to the interests and reputation of the Company resulting from the Participant's inability to fulfil job requirements, failure of the personal performance appraisal, violation of law, violation of professional ethics, leak of confidential information of the Company, breach of duty or malfeasance acts;
 - (6) the Participant becomes independent Director, supervisor or other persons who cannot hold the Company's Shares or Share options;
 - (7) any circumstances which the Board determines to be serious violation of the Company's regulations or serious impairment to the Company's interests;
 - (8) the Participant becomes a person who is not eligible to participate in the Revised Scheme governed by the law, administrative regulations or departmental rules and approval by other applicable regulatory authorities as may be required;

APPENDIX I SUMMARY OF PROPOSED PRINCIPAL TERMS OF THE REVISED SCHEME

- (9) other circumstances as determined by the Remuneration and Appraisal Committee of the Board.
- 3. Upon occurrence of any of the following to a Participant, his Share Options which are exercisable but not Exercised shall retain the right to Exercise and shall be Exercised within six months, and his Share Options which are not exercisable shall be cancelled:
 - (1) the Company proposes to terminate or release the employment relationship with the Participant due to objective reasons;
 - (2) the Company proposes not to renew the labour contract or engagement contract when it expires;
 - (3) for Participant who retires as he reaches the retiring age as stipulated under the PRC law and the regulations of the Company, and he has worked for more than half a year and passed the personal performance appraisal in the year he retires, he can Exercise the Share Options for that year pursuant to the Revised Scheme. As Participant cannot participate in personal performance appraisal after retirement, his Share Options become ineffective;
 - (4) at the death of a Participant, his Share Options which are exercisable but not Exercised shall retain the right to Exercise and shall be Exercised within six months by his legal successors, and his Share Options which are not exercisable shall be cancelled;
 - (5) other circumstances as determined by the Remuneration and Appraisal Committee of the Board.
- 4. Upon occurrence of any of the following to a Participant, his Share Options which were not Exercised shall cease to be exercisable:
 - (1) where the Participant unilaterally resigns from his position in the Company;
 - (2) where the employment relationship is terminated by the Company due to personal issues of the Participant.
- 5. Upon occurrence of any of the following to a Participant, his Share Options which are exercisable but not Exercised shall remain in force and his Share Options which were granted shall also remain in force and can be Exercised pursuant to the Revised Scheme:
 - (1) where the job duties of the Participant have been changed, but still remain as Directors, senior management or other management or core personnel of the Company, or being appointed to any position in subsidiary of the Company;
 - (2) incapacity of the Participant arising in the course of his employment.
- 6. Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Appraisal Committee of the Board.

Management and Organization of the Incentive Scheme

Article 1 Management and organization of the Share Option Incentive Scheme

The organizations and departments involved in the management and implementation of the Share Option Incentive Scheme include the General Meeting, the Board, the Remuneration and Appraisal Committee of the Board, the Supervisory Committee, the Independent Directors, the Office of the Board of Directors, the Human Resources Department, the Finance Department and the Legal and Risk Management Department.

Article 2 Main responsibilities of each organization

- (I) General Meeting: The General Meeting is the highest authority of the Company and has the final decision on the Scheme; the General Meeting may authorize the Board to deal with the specific matters of the implementation of the Incentive Scheme within its permission;
- (II) The Board: The Board is the major management and decision-making body of the Scheme, and propose to the General Meeting to vote on the Scheme in accordance with relevant regulations; under the authorization of the General Meeting, the Board is responsible for reviewing and approving the implementation, change and termination of the medium and long-term incentive Scheme, and has the right to interpret the Scheme; review and decide on the list of the Participants and the incentive credits, determine the method of handling incentives when the Participants resigns; other duties stipulated by the Incentive Scheme, these Measures or the General Meeting;
- (III) The Remuneration and Appraisal Committee: The Remuneration and Appraisal Committee is the executive and management body of the Scheme. It is responsible for formulating and revising the Scheme, relevant assessment methods and other related supporting systems, and handling other related matters of the Scheme within the scope authorized by the Board;
- (IV) The Supervisory Committee and the Independent Directors: The Supervisory Committee and the Independent Directors are the supervisory bodies of the Incentive Scheme. They should express opinions on whether the Scheme is conducive to the sustainable development of the Company and whether there is any obvious damage to the interests of the Company and all shareholders. The Supervisory Committee supervises whether the implementation of the Incentive Scheme complies with relevant laws, administrative regulations and departmental rules, and is responsible for reviewing the list of the Participants;
- (V) Office of the Board of Directors: Handling related matters of the Share Option Incentive Scheme under the guidance of the Board of Directors, and responsible for communicating with and reporting to the capital market, shareholders, regulatory authorities and media; responsible for drafting relevant grant documents, delivering the grant documents, and collecting the signed grant documents; coordinate the financial processing issues with the Finance Department; and coordinate legal matters with the Legal and Risk Management Department;

- (VI) Human Resources Department: Responsible for the daily management of the Share Option Incentive Scheme; responsible for clearing and improving the corresponding management system; responsible for preliminarily determining the Participants, evaluation of the results and the allocation of Share Option according to the established principles and plans of the Scheme, and reported to the Remuneration and Appraisal Committee and the Board of Directors of the Company; responsible for recording and tracking the grant, validation, and change of the Share Options of the employee; responsible for the daily communication of employees; responsible for providing information on positions, salaries, and others of the Participants; responsible for the aggregation, statistical analysis and tabulation of the equity income of the Participants; responsible for the file management of all documents and files related to the Scheme;
- (VII) Finance Department: Provides support for any financial information required by the Scheme; carries out cost accounting related to the Share Option, conduct accounting treatment of incentive income when the Share Option of the Participants is unlocked and responsible for the withholding of individual income tax;
- (VIII) Legal and Risk Management Department: Provides support for any legal information required by the Scheme.

Chapter I Implementation Procedures for Share Options

Article 3 Planning and review procedures

- (I) The Remuneration and Appraisal Committee under the Board is responsible for drawing up the draft Share Option Incentive Scheme;
- (II) The Board will reviewed the draft Share Option Incentive Scheme, and the directors who are the Participants of the Scheme shall abstain from voting;
- (III) The Independent Directors and the Supervisory Committee will express independent opinions on whether the draft Share Option Incentive Scheme is beneficial to the sustainable development of listed companies and whether there is any obvious harm to the interests of listed companies and all shareholders;
- (IV) The Supervisory Committee will verify the Participants list (including grantees, qualifications and number of grant);
- (V) The Company shall conduct a self-examination on whether any insiders deal in the shares of the Company and their derivative products within 6 months before the publication of the draft Share Option Incentive Scheme, indicating if any insider trading exists. If any insider trades shares of the Company, he/she shall not be the Participant, except where the laws, administrative regulations and relevant judicial interpretations stipulate that it is not insider trading. If anyone leaks inside information to cause insider trading, he/she shall not be the Participant;

APPENDIX II REVISED SHARE OPTION INCENTIVE SCHEME ADMINISTRATION REGULATIONS

- (VI) The Board will announce the Board resolutions, the draft Share Option Incentive Scheme and its abstract, and the opinions of Independent Directors within 2 trading days after the draft Share Option Incentive Scheme was considered and approved;
- (VII) The Company will hire a lawyer to issue a legal opinion on the Incentive Scheme;
- (VIII) The Group will submit the draft Share Option Incentive Scheme considered and approved by the Board to the state-owned assets supervision and administration authority for approval;
- (IV) After obtaining approval from the state-owned assets supervision and administration authority or other applicable regulatory approvals as may be required for the Share Option Incentive Scheme, the Company will issue a notice to convene a general meeting, and also announce the legal opinion;
- (X) The Independent Directors will solicit voting rights from all shareholders in connection with the relevant resolutions in relation to the Incentive Scheme;
- (XI) Before the general meeting, the name and position of the Participants will be publicized within the Company through the website of the Company or other means for at least 10 days;
- (XII) The Supervisory Committee shall review the Participants list and fully listen to public opinions. The Company shall disclose the explanation of review and publicity on the Participants list by the Supervisory Committee within 5 days before the Share Option Incentive Scheme was considered at the general meeting;
- (XIII) The general meeting will consider the Incentive Scheme, and the Supervisory Committee shall explain the verification of the Participants list at the general meeting;
- (XIV) During the voting process of the Share Option Incentive Scheme at the general meeting, the Company shall provide the choice of voting via the Internet and the Scheme shall be passed by more than 2/3 of the voting rights held by the shareholders present at the meeting;
- (XV) The Share Option Incentive Scheme can be implemented immediately after being considered and approved at the general meeting. The Board will specifically handle the granting and registration of Share Options according to the authorization of the general meeting.

Article 4 Determination process of participants and number

- (I) Nomination: According to the Share Option Incentive Scheme and the Company's business development priorities, the Human Resources Department will propose advice on the scope of the Participants and the number of grant, and reports to the general manager's office for consideration and approval;
- (II) Approval: The Company will submit the scope of the Participants and the number of grant, as well as the main content of such granting scheme to the Group and SASAC for approval;

APPENDIX II REVISED SHARE OPTION INCENTIVE SCHEME ADMINISTRATION REGULATIONS

- (III) Consideration: The granting scheme approved by the Group and SASAC will be submitted to the Remuneration and Appraisal Committee of the Board for consideration;
- (IV) Confirmation: The Board of the Company will approve the scope of the Participants and the number of grant according to the consideration results of the Remuneration and Appraisal Committee;
- (V) Verification: The Supervisory Committee of the Company will verify the Participants list.

Article 5 Grant procedures

- (I) The Remuneration and Appraisal Committee will propose a granting scheme;
- (II) The Board will consider the granting scheme and determine the Date of Grant and the Exercise Price according to the Scheme;
- (III) The Supervisory Committee will verify whether the Participants list for granting Share Options is consistent with the scope of incentives specified in the Scheme approved by the General Meeting;
- (IV) The Company will 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 of and the arrangement for effecting the Share Options granted;
- (V) The Participants will sign the “Notice of grant of Share Options” within 3 working days and send back one of the originals to the Company;
- (VI) The Company will sign the “Share Options Grant Agreement” with the Participants whereby the obligations of and the relationship between the parties are stipulated;
- (VII) The Company will prepare a Share Option Incentive Scheme Management Roster according to the status of the signing of agreements by the Participants, containing the name of the Participants, the number of grant, the Date of Grant, the numbers of “Share Options Grant Agreement” and the “Notice of grant of Share Options”;
- (VIII) The Board will implement the grant of Share Options in accordance with the regulations of SASAC, CSRC, Shanghai Stock Exchange, China Securities Depository and Clearing Corporation Limited and other applicable regulatory authorities as may be required, make disclosure of the status of the grant of Share Options and report the status of the grant of Share Options to the SASAC through the Group.

Article 6 Effect and determination process of Share Options

- (I) In each effective year, the Company's Finance Department 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;
- (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 exercise performance conditions 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 and Appraisal Committee for review;
- (IV) The Remuneration and Appraisal Committee shall consider and approve 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 bill 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 Board office shall disclose the information on the effectiveness or invalidity of Share Options.

Article 7 Procedures for the exercise of the Share Options

- (I) The Board shall consider and review whether the exercise conditions for Participants exercising their options under the Share Options Scheme have been satisfied before exercising Share Options by the Participants on each exercise date. The Independent Directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the exercising of Share Options by the Participants are fulfilled or not;
- (II) The Remuneration and Appraisal 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;

APPENDIX II REVISED SHARE OPTION INCENTIVE SCHEME ADMINISTRATION REGULATIONS

- (III) Each Participant may submit the Application for Exercising Share Options to the Company's Human Resources Department 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 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 qualification 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; upon confirmation that the gains are not capped, the security companies will transfer the shares into the individual securities account of the Participants;
- (VI) The Human Resources Department of the Company 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 Financial 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 Board office 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 disclaimed 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 II Daily Management Procedures for Share Options**Article 8 Daily management procedures for Share Options**

- (I) Communication, consultation and complaint processing: The Human Resources Department shall be responsible for the update and release of communication materials, as well as consulting and answering questions. The Legal and Risk Management Department shall be responsible for handling legal disputes and others.
- (II) Grant and unlock 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.
- (III) Accounting processing: The Finance Department shall be responsible for the accounting processing and reconciliation of actions such as granting, exercise, tax treatment, and fund collection and payment.
- (IV) Supervision, approval, information disclosure and filing: Works such as supervision, approval, information disclosure and filing shall be accomplished by the Board office.

Chapter III Internal Control Procedures of Share Options**Article 9 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 department and supervised by each other.

Article 10 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 IV Supplementary Provisions

Article 11 Supplementary provisions

These Measures shall take effect from the date of obtaining approval at the general meeting and shall be interpreted and revised by the Board.

COSCO SHIPPING Energy Transportation Co., Ltd.*

October 2018

**Administrative Rules Governing Connected Transactions of
COSCO SHIPPING Energy Transportation Co., Ltd.**

Chapter 1 General Provisions

Article 1 These Rules are formulated in accordance with the laws, regulations, rules and governing documents of the Companies Law of the People's Republic of China, the Administrative Measures for Information Disclosure of Listed Companies issued by China Securities Regulatory Commission (hereinafter referred to as "CSRC"), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (hereinafter referred to as the "SSE Listing Rules"), the Implementation Guidelines for Connected Transactions of Companies Listed on the Shanghai Stock Exchange (hereinafter referred to as the "Implementation Guidelines"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), Accounting Standards for Business Enterprises, Hong Kong Financial Reporting Standards and the relevant provisions of the Articles of Association of COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter referred to as the "Articles of Association"), with a view to govern the connected transactions conducted by COSCO SHIPPING Energy Transportation Co., Ltd. (hereinafter referred to as the "Company"), enhance the level of the Company's standardized operation and safeguard the lawful interests of the Company and all shareholders.

Article 2 These Rules apply to the Company and its subsidiaries.

The "subsidiaries of the Company" as used in these rules include:

- (1) the wholly-owned subsidiary of the Company;
- (2) companies, whose 50% or more stocks are directly or indirectly controlled by the Company;
- (3) company that is formed by the majority of the members of the board of directors of the Company;
- (4) other companies that are synthetically calculated in the audited consolidated accounts of the Company (or whose equity interests are synthetically calculated after completion of acquisition) in accordance with applicable financial accounting standards.

Article 3 As a company listed both in Hong Kong and Mainland China, the Company's connected transactions management shall comply with the laws of the two regions and the relevant provisions of the Listing Rules of the Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK") and the Shanghai Stock Exchange (hereinafter referred to as the "SSE"). When there are inconsistencies between the laws or the Listing Rules of the two regions, the stricter set of rules shall be followed in implementation. In the event of any inconsistency or conflict between these Rules and any applicable laws and regulations or Listing Rules from time to time, the applicable laws and regulations and the Listing Rules shall prevail.

Article 4 A connected transaction shall have set a fair price and appropriate procedures for decision-making with standardized information disclosure.

Article 5 The shareholders' general meetings and the Board of the Company shall manage the connected transactions in accordance with the requirements of the regulatory authorities and the relevant provisions of the Articles of Association.

The Audit Committee under the Board of the Company shall be liable for control and daily administration of the connected transactions of the Company, report to the Board and is accountable to the Board.

Chapter 2 Management of Connected Person

Article 6 The connected persons of the Company include connected natural person, connected legal person or other entities.

Article 7 The connected persons of the Company include:

(1) the connected person as defined by domestic securities regulatory authorities (including CSRC and SSE, same as below), based on the Administrative Measures for Information Disclosure of Listed Companies, SSE Listing Rules and Implementation Guidelines issued by CSRC;

(2) the connected person as defined by Hong Kong Listing Rules.

The definition of the connected person above is subject to the latest regulations amended by the domestic and overseas securities regulatory authorities from time to time for specific details.

Article 8 The Audit Committee of the Board and the Board Office are responsible for confirming the connected persons of the Company and reporting to the Board of Directors and the Board of Supervisors.

Connected persons with reporting obligations should report their connections to the Audit Committee of the Board and the Board Office in a timely manner.

The Company shall declare and update promptly the list and information of connected persons of the Company to the securities regulatory authority.

Chapter 3 Definition and Classification of Connected Transaction

Article 9 The “connected transaction” referred to herein represent the transaction between the Company or its subsidiaries and the connected persons of the Company. Specifically speaking, it includes various transactions defined by the SSE Listing Rules and the Hong Kong Listing Rules as connected transactions

Article 10 The connected transaction include the connected transaction with connected person as defined by domestic securities regulatory authorities, the connected transaction as defined by the Hong Kong Stock Exchange.

Article 11 The connected transactions with the connected person as defined by domestic securities regulatory authorities are classified into the connected transaction required to be deliberated by the Board and disclosed promptly, the connected transaction required to be submitted to the shareholders’ general meeting for review and approval and disclosed promptly as well as other types of connected transactions.

Article 12 The connected transactions as defined by the Hong Kong Listing Rules include the one-off connected transaction and the continuing connected transaction.

The continuing connected transaction is a connected transaction involving the provision of financial assistance or services or goods, which is expected to extend over a period of time on an ongoing or recurring basis. The continuing connected transaction is usually conducted in the ordinary and usual course of business.

Article 13 The connected transaction as defined by the Hong Kong Listing Rules is categorized as:

- (i) the connected transaction exempted from the reporting, announcement and independent shareholders’ approval requirements (hereinafter referred to as the “fully-exempt connected transactions”);
- (ii) the connected transaction exempted from the independent shareholders’ approval, but is subject to the reporting and announcement requirements (hereinafter referred to as the “partially-exempt connected transactions”);

- (iii) the continuing connected transaction exempted from the reporting, annual review, announcement and independent shareholders' approval requirements (hereinafter referred to as the "fully-exempt continuing connected transactions");
- (iv) the continuing connected transaction exempted from the independent shareholders' approval, but is subject to the reporting, annual review and announcement requirements (hereinafter referred to as the "partially-exempt continuing connected transactions");
- (v) the connected transaction does not fall within any of the categories set out in paragraphs (i) and (ii) (hereinafter referred to as the "non-exempt connected transactions"); and the continuing connected transaction does not fall within any of the categories set out in paragraphs (iii) and (iv) (hereinafter referred to as the "non-exempt continuing connected transactions").

Chapter 4 Standards for Review and Disclosure of Connected Transactions

Article 14 Standards for review and disclosure of the connected transaction with the connected person as defined by domestic securities regulatory authorities are as follows:

- (i) the connected transaction with the transaction amount of RMB0.3 million or above entered into between the Company and/or its subsidiaries and the connected natural person (other than provision of guarantees by the Company and/or its subsidiaries), or the connected transaction with the transaction amount of RMB3 million or above entered into between the Company and/or its subsidiaries and the connected legal person or other entities that accounts for 0.5% or more of the absolute value of the latest audited net assets of the Company (other than provision of guarantees by the Company and/or its subsidiaries) shall be submitted to the Board for deliberation and be disclosed in a timely manner.
- (ii) the connected transaction entered into between the Company and/or its subsidiaries and a connected person with the transaction amount of RMB30 million or above that accounts for 5% or more of the absolute value of the latest audited net assets of the Company (other than provision of guarantees by the Company and/or its subsidiaries, the receipt of donation of cash assets by the Company and/or its subsidiaries and the debts for the purpose of releasing the obligations of the Company only) shall be submitted to the Board and the shareholders' general meeting for consideration and disclosed timely.

Where the Company and/or its subsidiaries is intended to enter into a major connected transaction as described in paragraph (ii) above, it should provide with an audit and assessment report in respect of the subject matter of the transaction issued by a securities service agency qualified to carry out securities and futures

related businesses. The subject matter involved in such connected transaction as conducted in the ordinary course of business as described in Chapter 7 of these Rules shall be exempt from audit or assessment.

- (iii) the guarantees provided by the Company or its subsidiaries, regardless of the amount, to the connected person shall be timely disclosed after review and approval by the Board and submitted to the shareholders' general meeting for deliberation.
- (iv) where the Company or its subsidiaries enters into a connected transaction in the category of "provision of financial assistance other than guarantees" or "entrusted asset management" with the connected person, the transaction amount shall be used as the standard for disclosure, and shall be aggregated in 12 consecutive months based on the transaction classification, and the provisions of paragraphs (i) and (ii) of this article shall apply.

The connected transactions, including (1) the transactions with the same connected person; and (2) the transactions with different connected persons below, based on the principle of accumulative calculation for consecutive 12 months, shall apply the provisions of paragraphs (i) and (ii) of this article accordingly.

The same connected person includes a person being under the direct or indirect control of the same legal person or other entity or natural person or having mutual equity control relationship, and a legal person or other entity in which the director or senior management is acted by the same connected natural person.

Any connected transaction for which the decision making process have been performed at a shareholders' general meeting in accordance with the accumulative calculation principle shall be excluded there from.

The Company shall not provide loans directly or through subsidiaries to directors, supervisors and senior management.

- (v) where the Company and/or its subsidiaries and the connected person establish a company in the manner of joint investment, the total amount contributed by the Company and/or its subsidiaries shall be deemed as the transaction amount and the provisions of paragraphs (i) and (ii) of this article shall apply accordingly.
- (vi) where the Company and/or its subsidiaries proposes to waive its capital increase right on a pro-rata basis or pre-emptive right over a company jointly invested with the connected person, the amount involved in waiving the capital increase right or pre-emptive right by the Company and/or its subsidiaries shall be deemed as the transaction amount and the provisions of paragraphs (i) and (ii) of this article shall apply accordingly.

Where the Company and/or its subsidiaries' waiver of the capital increase right or pre-emptive right may result in changes of the scope of consolidated financial statements of the Company, the Company's latest closing total net assets corresponding to the Company and/or its subsidiaries' proposed waivers of the capital increase right or pre-emptive right shall be deemed as the transaction amount and the provisions of paragraphs (i) and (ii) of this article shall apply accordingly.

- (vii) the connected transactions which are not required to submit to the Board and shareholders' general meetings for consideration according to the laws, rules, governing documents and provisions above shall be finalized upon the approval of the general manager of the Company.

For transaction which comply with the relevant provisions, the Company may apply to the domestic securities regulatory authorities for exemption from review and disclosure requirements for connected transactions.

The specific review and disclosure standards above are subject to the latest revisions of the domestic securities regulatory authorities from time to time for specific details.

Article 15 The partially-exempt connected transactions stipulated by Hong Kong Listing Rules shall be subject to the reporting, announcement and the approval of the Board; and the partially-exempt continuing connected transactions shall be subject to the reporting, annual review (if applicable), announcement and the approval of the Board.

The specific review and disclosure standards are subject to the latest revisions of the domestic securities regulatory authorities from time to time for specific details.

Article 16 The Company shall comply with the requirements of the SEHK for the aggregation of connected transactions. If necessary, the Company can consult the SEHK on the above issues.

Article 17 The Company shall determine the content of disclosure as required by relevant regulatory provisions, Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and timely provide relevant materials to regulatory bodies as required.

Chapter 5 Procedures for Review, Disclosure and Reporting of Connected Transaction

Article 18 The procedures for review, disclosure and reporting of connected transaction with the connected person as defined by domestic securities regulatory authorities are as follows:

- (i) any connected transaction subject to consideration by the Board and timely disclosure shall be approved in writing by more than half of the independent directors before it is reviewed by the audit committee of the Board and submitted

to the Board for discussion. The independent directors shall express opinions in writing on the fairness of connected transactions and the implementation of the internal examination and approval procedure.

The independent directors may engage an independent financial adviser to issue a report to support their decisions.

- (ii) any major connected transaction subject to consideration and approval at the shareholders' general meeting shall provide an audit or assessment report in respect of the subject matter of the transaction issued by a securities service agency qualified to carry out securities and futures related business in accordance with the relevant requirements of the CSRC and the SSE. The subject matter involved in such connected transaction as conducted in the ordinary course of business shall be exempt from audit or assessment subject to the relevant requirements of the SSE.

The Company shall, in addition to disclosing the reason for the premium, allow its shareholders to participate in the shareholders' general meeting via online voting or other available channels and shall provide a profit forecast report on the assets proposed to be acquired issued by an accounting firm qualified to carry out securities and futures related business for any major connected transaction which proposes to acquire assets from a connected person at a price that exceeds 100% of the book value of the assets.

If the assets proposed to be acquired are valued and determined the price by discounted cash flow method, the differences between the actual profits and the projected profits and a special audit opinion issued by an accounting firm shall be disclosed in the annual reports for the three consecutive years after completion of the connected transaction. The audit committee of the Board shall give their opinions on the said connected transaction. The Company and/or its subsidiaries shall enter into a practicable indemnity agreement with the connected person to indemnify any shortfall of actual profits to the projected profits of the assets.

If the Company and/or its subsidiaries use the discounted cash flow method or assumed development method to value and determine the price of the assets proposed to be acquired, it shall disclose the relevant data in relation to the valuation by more than two valuation methods (including the methods above) and the independent directors shall opine on the independence of the valuer, the reasonableness of the valuation assumptions and the fairness of the appraised value.

- (iii) any connected transaction arising from any party of the Company and/or its subsidiaries and the connected person participating in public tender or public auction. The Company may apply to the SSE for waiver of review and disclosure of the connected transaction as required.

- (iv) the Company may apply to the SSE for waiver of review and disclosure of a connected transaction as required if the connected transaction between the Company and/or its subsidiaries and the connected person in the ordinary course of business is conducted at a price determined by the government.
- (v) where the Company and/or its subsidiaries and the connected person are to establish a company through a joint investment with the amount as specified in Article 20(iii), and if all parties thereto make their investments in cash and determine their respective shareholdings in the Company in pro-rata, the Company may apply to the SSE for waiver of review of the transaction at the shareholders' general meeting.
- (vi) the transactions between the Company and/or its subsidiaries and the connected person below may be waived from review and disclosure as required for the connected transaction:
 - 1. a party subscribes in cash for any shares, corporate bonds or enterprise bonds, convertible bonds or other derivatives available for public issue by the other party;
 - 2. a party, as the underwriter, underwrites any shares, corporate bonds or enterprise bonds, convertible bonds or other derivatives available for public issue by the other party;
 - 3. a party receives dividend, bonus or remuneration resolved by other party at its shareholders' general meeting;
 - 4. other transactions approved by the SSE.
- (vii) when financial assistance provided by the connected person to the Company and/or its subsidiaries, with an interest rate not more than the then benchmark lending rate announced by the People's Bank of China and which is free from any pledge or security provided by the Company and/or its subsidiaries, the Company may apply to the SSE for waiver of such financial assistance from review and disclosure as required for the connected transaction.

Where the connected person provides the Company and/or its subsidiaries with a security and the Company and/or its subsidiaries do not provide any counter security, the preceding paragraph shall apply.
- (viii) where a natural person concurrently serves as an independent director of the Company and other legal person or entity in the absence of any other circumstances constituting a connected person relationship, if such legal person or entity enters into a transaction with the Company and/or its subsidiaries, the Company may apply to the SSE for waiver of such transaction from review and disclosure as required for the connected transaction.

- (ix) where a connected transaction to be disclosed by the Company falls within the categories of State secret, trade secret or other circumstances recognized by the SSE and the disclosure thereof or performance of obligations relating thereto in accordance with these Rules may result in violation of the laws or regulations of confidentiality of the PRC or significant detriment to the interest of the Company and/or its subsidiaries, the Company may apply to SSE for exemption of such disclosure or performance of relevant obligations in accordance with these Rules.

Article 19

The procedures for review, disclosure and reporting of ordinary connected transaction with the connected person as defined by domestic securities regulatory authorities are as follows:

- (i) for the ordinary connected transaction conducted for the first time, the Company and/or its subsidiaries shall enter into written agreement with the connected person and make prompt disclosure, and submit the agreement to the Board or the shareholders' general meeting for consideration based on the total transaction amount involved. In the absence of such total transaction amount, the agreement shall be submitted to the shareholders' general meeting for consideration.
- (ii) where there are lots of ordinary connected transactions in various categories, the Company may make reasonable estimation on the total amount for the ordinary connected transactions to be conducted by the Company and its subsidiaries during the year by category before disclosure in the annual report for the previous year and submit the estimation to the Board or the shareholders' general meeting for consideration and disclose thereof.

The Company shall disclose the ordinary connected transactions that fall within the scope of such estimation in the annual report and interim report. Any excess of the total transaction amount over such estimation shall be re-submitted to the Board or the shareholders' general meeting for consideration and make disclosure based on the exceeded amount.

Article 20

The procedures for review, disclosure and reporting of the connected transactions with the connected person as defined by Hong Kong Listing Rules:

- (i) the fully-exempt connected transaction and fully-exempt continuing connected transaction shall be reviewed and approved according to the internal authorization procedures of the Company and reported to the Audit Committee of the Board for filing.
- (ii) the partially-exempt connected transaction and partially-exempt continuing connected transaction shall be reviewed and approved by the Board according to the procedures for review as set out in Article 24(I) of these Rules and are subject to reporting and announcement according to the requirements of the Hong Kong Listing Rules.

- (iii) the non-exempt connected transaction and non-exempt continuing connected transaction shall be submitted to the shareholders' general meeting for review and approval. Before submitting to the shareholders' general meeting, the Independent Director Committee shall advise the shareholders as to whether the terms of such transaction or arrangement is fair and reasonable, whether such transaction is on normal commercial terms or better and is conducted in the ordinary and usual course of business of the listed issuer group; and whether such transaction or arrangement is in the interests of the issuer and its shareholders as a whole; and the independent financial advisor appointed by the Company which is acceptable to the Hong Kong Stock Exchange shall recommend to the Independent Director Committee and shareholders as to whether the terms of such transaction or arrangement is fair and reasonable and whether such transaction or arrangement is in the interests of the issuer and its shareholders as a whole and advise the shareholders on how to vote. The Company is subject to reporting and announcement, shareholders' circular and independent shareholders' approval according to the requirements of the Hong Kong Listing Rules.

Article 21

Where the Board, Audit Committee of the Board and independent directors review and express their opinions on a connected transaction, a director who has a connected relationship with the connected transaction (hereinafter referred to as "connected director") shall abstain from voting and shall not exercise any voting rights on behalf of other directors. The Board meeting may be held if more than half of the non-connected directors present. The resolutions of the board meeting shall be passed by more than half of non-connected directors. If less than three non-connected directors attended the Board meeting, such transaction shall be submitted to the shareholders' general meeting for consideration.

The connected directors include the following directors or any director falling within the scope of any of the following circumstances:

- (i) a counterparty;
- (ii) a person directly or indirectly controls the counterparty;
- (iii) a legal person or other entity who holds the office in the counterparty or can directly or indirectly controls the counterparty or is directly or indirectly controlled by the counterparty;
- (iv) a close family member of the counterparty or a party that directly or indirectly controls the counterparty;
- (v) a close family member of a director, supervisor or senior management of the counterparty or a party that directly or indirectly controls the counterparty;

- (vi) a director considered by any regulatory authority or the Company on basis of the principle of substance over form that its independent business judgment may be affected;
- (vii) The director or any of his associates has a significant interest in the transaction.

Article 22

For the connected transaction that is subject to consideration at the shareholders' general meeting, the shareholders associated to such connected transaction (hereinafter referred to as "connected shareholders") shall abstain from voting and any shares with voting rights represented by them shall not be counted as total effective voting shares; and they may not exercise the voting right on behalf of other shareholders.

The connected shareholders include the following shareholders or any shareholder falling within the scope of any of the following circumstances:

- (i) a counterparty;
- (ii) a person directly or indirectly controls the counterparty;
- (iii) a person directly or indirectly controlled by the counterparty;
- (iv) a person under a direct or indirect common control of the same legal person or natural person with the counterparty;
- (v) a member whose voting right is restricted and affected as a result of an outstanding share transfer agreement or other agreement with the counterparty or its connected person;
- (vi) a member considered by the regulatory authorities that he or she is benefited from the Company's interests.
- (vii) any shareholder who has a significant interest in the transaction ; or
- (viii) relevant transactions that give a shareholder or his/her associates an interest (whether economic or otherwise) that is not available to other shareholders.

Article 23

The connected directors and connected shareholders shall abstain from voting and put to vote in accordance with the provisions of the regulatory authorities and relevant requirements of the Articles of Association.

Article 24

The supervisory committee shall oversee the review, voting, disclosure and performance of a connected transaction and shall express its view in the annual report.

Chapter 6 Performance of Connected Transactions

Article 25 The Company and its subsidiaries shall enter into a written agreement with counterparty in relation to a connected transaction to the extent authorized in accordance with the approval conditions. A connected transaction agreement shall have principal terms, including pricing principle and basis, conditions and time for effective of the agreement and period for performance. Any individual may only represent one of the parties to enter into the agreement.

Article 26 In case of any substantial changes to the principal terms of a connected transaction agreement in performance thereof or any renewal upon expiry thereof, the Company and/or its subsidiaries shall submit the amended or renewed connected transaction agreement to the competent authorities for approval.

Article 27 If the term of the connected transaction agreement entered into with the connected person as defined by domestic securities regulatory authorities in the ordinary and usual course of business exceeds three years, it shall be subject to the relevant approval procedures and disclosure obligations every three years based on total transaction amount under the agreement.

The connected transaction agreement entered into in the ordinary and usual course of business shall include pricing policy and basis, transaction price, range of total transaction amount or determination method of total transaction amount, time and method of payment, and comparison with actual amount of similar connected transaction agreements entered into in the ordinary and usual course of business over the past three years.

In case of any substantial changes to the principal terms of a connected transaction agreement entered into in the ordinary and usual course of business in performance thereof or any renewal upon expiry thereof, the Company and/or its subsidiaries shall submit the amended or renewed agreement to the Board or shareholders' general meeting for approval based on total transaction amount under the agreement and disclose in a timely manner. Any agreement without stating the total transaction amount shall be submitted to the shareholders' general meeting for review and approval and disclosed in a timely manner.

Article 28 In case of partially-exempt continuing connected transactions and non-exempt continuing connected transactions entered into with a connected person as defined by Hong Kong Stock Exchange, the Company and/or its subsidiaries must enter into a written agreement in respect of the continuing connected transactions with the counterparty. The agreement must set out the basis of the calculation of the payments to be made. The period for the agreement must be fixed and reflect normal commercial terms and, except in special circumstances, must not exceed 3 years.

The Company and its subsidiaries shall, in respect of each connected transaction, set a maximum aggregate annual transaction amount and specify its calculation basis.

When a connected person no longer meets the conditions of waiver, the Company shall comply with all applicable reporting, annual review, announcement and independent shareholders' approval requirements for its subsequent continuing connected transactions with the connected person, unless as otherwise provided by Hong Kong Stock Exchange.

Article 29

The pricing policy of the connected transactions shall be set out in the connected transaction agreement. If there is any material change to the key terms of the connected transaction, such as the transaction price, the Company shall carry out the review and approval procedures again based on the revised transaction amount.

The pricing of a connected transaction shall be fair and conducted by reference to the following principles:

- (i) if a government-set price is applicable to the subject matter of the transaction, such price may be adopted directly;
- (ii) if a government guidance price is applicable to the subject matter of the transaction, the price for the transaction may be set reasonably within the range of the government guidance price;
- (iii) if in addition to the government-set price or government guidance price, there is an independent third-party market price or charging rate that is comparable, such price or rate may be used as a priority reference for the pricing of the transaction;
- (iv) if there is no comparable independent third-party market price applicable to the subject matter of the connected transaction, the price at which the connected person enters into a non-connected transaction with a third party independent of the connected person may be used as reference for the pricing of the transaction;
- (v) if no independent third-party market price or price for independent non-connected transaction is available for reference, a composition price may be set on the basis of a reasonable price, which is made up of a reasonable cost plus a reasonable profit.

Where a connected transaction fails to determine the price as defined by the above principles and methods, the principles and methods for determining the price of the connected transaction shall be disclosed and the fairness of such pricing shall be stated.

Article 30

The Company shall not engage an accounting firm controlled by a connected person to provide audit services to the Company.

Article 31

The Company and its subsidiaries shall collect and verify any information relating to the management of connected transactions including information of shareholders and the ultimate controller of the counterparty and their equity investments.

Chapter 7 The Supervision of Connected Transactions

Article 32 The Company shall make statistics on the actual performance of continuing connected transactions and report to the Audit Committee of the Board on a regular basis to prevent the cumulative transaction amount of a continuing connected transaction (including daily connected transactions defined by domestic regulatory authorities and continuing connected transactions defined by the HKSE) agreement from exceeding the approved upper limit.

Article 33 The audit committee of the Board shall provide the Board every year with a special report on the implementation of the administrative rules governing connected transactions, the operation of the audit committee of the Board and the connected transactions entered into during that year.

Article 34 With regard to the partially-exempted continuing connected transactions and non-exempted continuing connected transactions, each year the independent directors of the Company shall review those continuing connected transactions and confirm in the annual report and accounts that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) either on normal commercial terms or better, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Article 35 With regard to the partially-exempted continuing connected transactions and non-exempted continuing connected transactions, each year the auditors shall provide a letter to the Company's Board (with a copy provided to the Hong Kong Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the transactions:

- (I) have been granted approval by the Board of the Company;
- (II) are made in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- (III) have been entered into in accordance with the relevant agreement governing the transactions; and
- (IV) have not exceeded the cap disclosed in previous announcement(s).

Article 36 The Company should cooperate with the external auditor to do the audit, spot check, statistics and other work of the previous year's data on the continuing connected transactions. After the completion of the annual financial settlement, the external auditor reports to the Company the actual amount of each of the continuing connected transaction agreements in the previous year and issues a letter of comfort to the results of the Company's continuing connected transaction agreement.

Article 37 The Company shall, based on the connected transaction data audited by the auditors, in accordance with the actual occurrence of the annual connected transactions, and in accordance with the requirements of the regulatory authorities of the two regions, prepare the disclosures of the connected transactions and the continuing connected transactions in the annual report of the Company. Disclosure after the completion of the annual report approval process.

Article 38 Where any of the Company or its subsidiaries, connected persons or relevant obligors violates any provisions of these Rules, any relevant liable person will be inquired into and claimed against in accordance with the laws, regulations, and other regulatory documents.

Chapter 8 Supplementary Provisions

Article 39 Unless otherwise expressly stated herein, the "general meeting", the "Board", the "supervisory committee", the "audit committee of the Board" and the "senior management" referred to in these Rules represent the general meeting, the Board, the supervisory committee, the audit committee of the Board and the senior management of COSCO SHIPPING Energy Transportation Co., Ltd. respectively.

The "independent shareholders" referred to in these Rules represent those shareholders of COSCO SHIPPING Energy who are not required to abstain from voting in relation to approval of a particular connected transaction at the general meeting.

The "net assets" referred to in these Rules represent the net assets attributable to the ordinary shareholders of the Company as at the end of the period, excluding the amount attributable to minority interests.

"Above" referred to in these Rules includes the current number, while "less than" or "within" do not include the current number.

Article 40 Any matters which are not covered by these Rules shall be implemented in accordance with the requirements of the relevant PRC laws, regulations, rules, regulatory documents, requirements of the securities regulatory authorities located in where the Company's securities listed and the Articles of Association.

In the event of any discrepancies between these Rules and any laws, regulations, rules or regulatory documents promulgated by the state or requirements of the securities regulatory authorities located in where the Company's securities listed or the Articles duly amended upon legal procedures in the future, the requirements of the relevant state laws, regulations, rules, regulatory documents, requirements of the securities regulatory authorities located in where the Company's securities listed and the Articles of Association shall prevail, and these Rules shall be amended accordingly in a timely manner and submitted to the general meeting for consideration and approval.

In the event of any discrepancies between these Rules and any provisions relating to connected persons and connected transactions under the relevant rules, other than the Articles of Association, issued by the Company before these Rules coming into effect, these Rules shall prevail.

Article 41 The management of the Company may formulate detailed implementation rules for the administration of connected persons and connected transactions based on these Rules, and submit such rules to the audit committee of the Board for filing purpose.

Article 42 These Rules shall be interpreted and amended by the Board of the Company.

Article 43 These Rules shall come into effect and be implemented from the date on which they are considered and approved at the general meeting of the Company.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**Directors', supervisors' and chief executive's interests and short positions**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company or their associates had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Positions held by Directors and supervisors of the Company in substantial Shareholder(s)

As at the Latest Practicable Date, (i) Mr. Huang Xiaowen, an executive Director, was an executive vice-president and party committee member of COSCO Shipping; (ii) Mr. Feng Boming, a non-executive Director, was the general manager of the strategic and corporate management division of COSCO Shipping; (iii) Mr. Zhang Wei, a non-executive Director, was the general manager of the operating management division of COSCO Shipping; (iv) Ms. Lin Honghua, a non-executive Director, was the chief auditor of the finance and accounting division of COSCO Shipping; (v) Mr. Weng Yi, a supervisor of the Company, was the safety director and general manager of the safety management department of COSCO Shipping; and (vi) Mr. Yang Lei, a supervisor of the Company, was the deputy general manager of the legal and risk management department of COSCO Shipping.

Save as disclosed above, none of the Directors or supervisors of the Company was, as at the Latest Practicable Date, a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at the Latest Practicable Date, so far as was known to the Directors, supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of

Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholders	Class of shares	Number of shares held	Percentage of the total number shares of the relevant class	Percentage of the total number of issued shares
China Shipping ⁽³⁾	A	1,554,631,593 (L)	56.82%	38.56%
COSCO Shipping ⁽⁴⁾	A	1,554,631,593 (L)	56.82%	38.56%
Prudential plc ⁽⁵⁾	H	157,126,000 (L)	12.12%	3.90%
GIC Private Limited ⁽⁶⁾	H	129,710,000 (L)	10.01%	3.22%
Eastspring Investments	H	80,206,000 (L)	6.19%	1.99%
JPMorgan Chase & Co. ⁽⁷⁾	H	76,713,752 (L)	5.92%	1.90%
		1,358,507 (S)	0.10%	0.03%
		65,757,195 (P)	5.07%	1.63%
BlackRock, Inc. ⁽⁸⁾	H	65,061,864 (L)	5.02%	1.61%
		1,336,000 (S)	0.10%	0.03%

Note 1: A – A Share

H – H Share

L – represents long position

S – represents short position

P – represents lending pool

Note 2: As at the Latest Practicable Date, the total issued share capital of the Company was 4,032,032,861 shares of which 1,296,000,000 were H Shares and 2,736,032,861 were A Shares.

Note 3: As at the Latest Practicable Date, such shareholding included 1,536,924,595 A Shares directly held by China Shipping. China Shipping also held (i) 7,000,000 A Shares through CICC-CCB-Zhongjin Ruihe collective asset management schemes* (中金公司－建設銀行－中金瑞和集合資產管理計劃), (ii) 2,065,494 A Shares through Guotai Junan securities asset management-Industrial Bank – Guotai Junan Junxiang Xinli No.6 collective asset management schemes* (國泰君安證券資管－興業銀行－國泰君安君享新利六號集合資產管理計劃), and (iii) 8,641,504 A Shares through AEGON-INDUSTRIAL Fund Management Co., Ltd – China Shipping (Group) Company collective asset management schemes* (興業全球基金－上海銀行－中國海運(集團)總公司). Therefore, China Shipping and its subsidiaries aggregately are interested in 1,554,631,593 A Shares of the Company as at the Latest Practicable Date, representing 38.56% of the total number of shares of the Company.

Note 4: China Shipping is wholly-owned by COSCO Shipping. As such, COSCO Shipping was deemed to be interested in the shares which China Shipping was interested in.

Note 5: Eastspring Investments was a controlled corporation of Prudential plc. Accordingly, Prudential plc was deemed to be interested in the shares which Eastspring Investments was interested in.

Note 6: As at the Latest Practicable Date, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, GIC Private Limited held the above shares of the Company as an investment manager.

Note 7: As at the Latest Practicable Date, JPMorgan Chase & Co., through various subsidiaries, had an interest in the H Shares, of which 9,110,557 H Shares (long position) and 978,507 H Shares (short position) were held in its capacity as interest of corporation controlled by it; 76,000 H Shares (long position) and 380,000 H Shares (short position) were held in its capacity as investment manager, 1,770,000 H Shares (long position) were held in its capacity as person having a security interest in shares, and 65,757,195 H Shares (long position) were held in its capacity as approved lending agent.

Note 8: As at the Latest Practicable Date, BlackRock, Inc., through various subsidiaries, had an interest in the H Shares, of which 65,061,864 H Shares (long position) and 1,336,000 H Shares (short position) were held in its capacity as interest of corporation controlled by it.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than Directors, supervisors or chief executive(s) of the Company) had any interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Stock Exchange.

Directors' interest in any asset acquired, disposed or leased

None of the Directors has any material interest, direct or indirect, in any asset which, since 31 December 2017, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

Directors' service contracts

As at the Latest Practicable Date, none of the Directors or supervisors had entered into, or proposed to enter into, any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' interest in contracts and competing interests

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company have been made up.

4. CONSENT AND EXPERT

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

Name	Qualification
Messis Capital Limited	Independent Financial Adviser and a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinions and/or the references to its name in the form and context in which it appears.

The letter and recommendation given by the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, (i) the Independent Financial Adviser did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) the Independent Financial Adviser did not have any shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

5. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at RMS 3601-3602, 36/F West Tower, Shun Tak CTR, 168-200 Connaught RD Central, Hong Kong during normal business hours from the date hereof up to and including 17 December 2018, being the date of the Shareholders' Meetings:

- (a) the letter from the Board, the text of which is set out on pages 7 to 20 of this circular;

- (b) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 30 of this circular;
- (d) the written consent from the Independent Financial Adviser;
- (e) a copy of the Subscription Agreement; and
- (f) a copy of the Revised Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING



COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.* **中遠海運能源運輸股份有限公司**

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

(Stock Code: 1138)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**”) will be held at 10:00 a.m. on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC to consider and, if thought fit, approve the following resolutions. Reference is made to (i) the announcement of the Company dated 30 October 2018 in respect of the adoption of the revised share option incentive scheme of the Company; and (ii) the announcement of the Company dated 30 October 2018 in respect of the extension of validity period of the shareholders’ resolutions and authorisation granted to the board of directors to handle all matters relating to the proposed non-public issuance of A shares of the Company, which contain details of the transactions referred to in the resolutions below.

SPECIAL RESOLUTIONS

1. To consider and approve the “Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd. (Revised Proposal)” and in summary:
 - (i) Purpose of the scheme
 - (ii) Basis and scope for confirming and verification of the participants of the scheme
 - (iii) Source, number and allocation of share options and subject shares of the scheme
 - (iv) Validity period and arrangement for the grant and exercise of share options
 - (v) Exercise price of the share options and the gains by the participants under the scheme
 - (vi) Conditions of grant and conditions of exercise of the share options
 - (vii) Method and procedures of adjustment to the share options
 - (viii) Respective rights and obligations of the Company and participants

* for identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ix) Handling of special circumstances under the scheme
 - (x) Accounting treatment of share options under the scheme and the impact to the business performance of the Company
 - (xi) Procedures of formulation and approval of the scheme and grant and exercise of share options under the scheme
 - (xii) Management and amendment of the scheme
 - (xiii) Disclosure of the implementation status of the scheme
2. To consider and approve the “Share Option Incentive Scheme Administration Regulations of COSCO SHIPPING Energy Transportation Co., Ltd. (Revised Proposal)”.
 3. To consider and approve the resolution to authorise the board of directors of the Company (the “**Board**”) to deal with the matters relating to the revised share option incentive scheme of the Company.
 4. To consider and approve the extension of the validity period of the shareholders’ resolutions relating to the Proposed Non-public Issuance of A Shares (as defined in the announcement of the Company dated 30 October 2018 (subject to such amendments as may be announced by the Company from time to time) (the “**Extension Announcement**”)).
 5. To consider and approve the extension of the validity period of the authorisation granted to the Board and any person authorised by the Board to handle all matters in connection with the Proposed Non-public Issuance of A Shares (as defined in the Extension Announcement).

ORDINARY RESOLUTION

6. To consider and approve the Company’s Policy on the Management of Connected Transactions (關聯交易管理制度).

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

2 November 2018
Shanghai, The People’s Republic of China

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (A) The H share register of the Company will be closed from Saturday, 17 November 2018, to Monday, 17 December 2018 (both days inclusive), during which no transfer of H shares will be effected. Any holders of H shares of the Company, whose names appear on the Company's register of members on Monday, 17 December 2018 are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar not later than 4:30 p.m. on Friday, 16 November 2018.

- (B) The address of the share registrar (for share transfer) for the Company's H shares is as follows:

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

- (C) Holders of H shares, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the Office of the Board of Directors of the Company not later than 20 days before the date of the EGM, i.e. no later than Tuesday, 27 November 2018.

Details of the Office of the Board of Directors of the Company are as follows:

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

- (D) Each holder of H shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether that proxy is a shareholder or not, to attend and vote on his behalf at the EGM.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his proxy duly authorised in writing or, if the principal is a legal person, under seal or under the hand of the director or proxy duly authorised. Where such instrument is signed by a person authorised by the appointor, the power of attorney authorising signature or other authorisation documents shall be notarised.
- (F) For holders of H shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for holding the EGM (or any adjournment thereof) in order for such documents to be valid.
- (G) Each holder of A shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (D) to (E) also apply to holders of A shares, except that the proxy form or other documents of authority must be delivered to the Office of the Board of Directors, the address of which is set out in Note (C) above, not less than 24 hours before the time appointed for holding the EGM (or any adjournment thereof) in order for such documents to be valid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (H) If a proxy attends the EGM on behalf of a shareholder, he should produce his identity card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a shareholder which shareholder is a legal person attends the EGM, such legal representative should produce his identity card and valid documents evidencing his capacity as such legal representative. If a shareholder which is a legal person appoints a company representative other than its legal representative to attend the EGM, such representative should produce his identity card and an authorisation instrument affixed with the seal of that shareholder (which is a legal person) and duly signed by its legal representative.
- (I) Pursuant to the Administrative Measures on Share Option Incentives of Listed Companies (the “**Administrative Measures**”), the independent non-executive director of a company listed on the Shanghai Stock Exchange shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participate in general meetings, so as to encourage them to vote on the resolutions in respect of the adoption of a share incentive scheme. Pursuant to the Administrative Measures and authorisation of other independent non-executive directors, Mr. Ruan Yongping, an independent non-executive director, will send the proxy form for the solicitation of voting rights by independent non-executive director (the “**Independent Director’s Proxy Form**”) to solicit voting rights from the Shareholders on the special resolutions in respect of the proposed A share option incentive scheme of the Company (the “**Scheme**”) and its related matters at the EGM. For further details of the Independent Director’s Proxy Form, please refer to the announcement in respect of the public solicitation of voting rights by the independent non-executive director to be published by the Company.

Should you wish to appoint Mr. Ruan Yongping as your proxy to vote for you and on your behalf at the EGM on the special resolutions in respect of the Scheme and its related matters, please complete, sign and return the Independent Director’s Proxy Form to the Company’s H share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding of the EGM or any adjournment thereof.

You may appoint Mr. Ruan Yongping as your proxy to vote for you and on your behalf solely on the special resolutions in respect of the Scheme and its related matters at the EGM. If you wish to appoint any person other than Mr. Ruan Yongping as your proxy to vote for you and on your behalf solely on all resolutions at the EGM, you may disregard the Independent Director’s Proxy Form and complete and return the proxy form published by the Company on 2 November 2018 (the “**Proxy Form**”) only.

Please note that if you have completed and returned both the Proxy Form and the Independent Director’s Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the Proxy Form and the Independent Director’s Proxy Form, your voting instructions given in the Independent Director’s Proxy Form will be counted as your vote for or against the special resolutions in respect of the Scheme and its related matters at the EGM.

- (J) The EGM is expected to last for an hour. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.
- (K) As at the date of this notice, the board of directors of the Company comprises Mr. Huang Xiaowen, Mr. Liu Hanbo and Mr. Lu Junshan as executive directors, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as non-executive directors, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive directors.

* *For identification purpose only.*

NOTICE OF H SHARES CLASS MEETING



COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.* **中遠海運能源運輸股份有限公司**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1138)

NOTICE OF H SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting for holders of H Shares (“**H Shares Class Meeting**”) of COSCO SHIPPING Energy Transportation Co., Ltd. (the “**Company**”) will be held at 10:00 a.m. on Monday, 17 December 2018 at 3rd Floor, Ocean Hotel, No. 1171 Dongdaming Road, Hongkou District, Shanghai, the PRC (to be convened in the order of the extraordinary general meeting, class meeting for holders of A shares and H Shares Class Meeting) to consider and, if thought fit, approve the following resolutions. Reference is made to (i) the announcement of the Company dated 30 October 2018 in respect of the adoption of the revised share option incentive scheme of the Company; and (ii) the announcement of the Company dated 30 October 2018 in respect of the extension of validity period of the shareholders’ resolutions and authorisation granted to the board of directors to handle all matters relating to the proposed non-public issuance of A shares of the Company, which contain details of the transactions referred to in the resolutions below.

SPECIAL RESOLUTIONS

1. To consider and approve the “Share Option Incentive Scheme of COSCO SHIPPING Energy Transportation Co., Ltd. (Revised Proposal)” and in summary:
 - (i) Purpose of the scheme
 - (ii) Basis and scope for confirming and verification of the participants of the scheme
 - (iii) Source, number and allocation of share options and subject shares of the scheme
 - (iv) Validity period and arrangement for the grant and exercise of share options
 - (v) Exercise price of the share options and the gains by the participants under the scheme
 - (vi) Conditions of grant and conditions of exercise of the share options
 - (vii) Method and procedures of adjustment to the share options

* for identification purpose only

NOTICE OF H SHARES CLASS MEETING

- (viii) Respective rights and obligations of the Company and participants
 - (ix) Handling of special circumstances under the scheme
 - (x) Accounting treatment of share options under the scheme and the impact to the business performance of the Company
 - (xi) Procedures of formulation and approval of the scheme and grant and exercise of share options under the scheme
 - (xii) Management and amendment of the scheme
 - (xiii) Disclosure of the implementation status of the scheme
2. To consider and approve the “Share Option Incentive Scheme Administration Regulations of COSCO SHIPPING Energy Transportation Co., Ltd. (Revised Proposal)”.
 3. To consider and approve the resolution to authorise the board of directors of the Company (the “**Board**”) to deal with the matters relating to the revised share option incentive scheme of the Company.
 4. To consider and approve the extension of the validity period of the shareholders’ resolutions relating to the Proposed Non-public Issuance of A Shares (as defined in the announcement of the Company dated 30 October 2018 (subject to such amendments as may be announced by the Company from time to time) (the “**Extension Announcement**”)).
 5. To consider and approve the extension of the validity period of the authorisation granted to the Board and any person authorised by the Board to handle all matters in connection with the Proposed Non-public Issuance of A Shares (as defined in the Extension Announcement).

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

2 November 2018
Shanghai, The People’s Republic of China

NOTICE OF H SHARES CLASS MEETING

Notes:

- (A) The H share register of the Company will be closed from Saturday, 17 November 2018, to Monday, 17 December 2018 (both days inclusive), during which no transfer of H shares will be effected. Any holders of H shares of the Company, whose names appear on the Company's register of members on Monday, 17 December 2018 are entitled to attend and vote at the H Shares Class Meeting after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the H Shares Class Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar not later than 4:30 p.m. on Friday, 16 November 2018.

- (B) The address of the share registrar (for share transfer) for the Company's H shares is as follows:

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

- (C) Holders of H shares, who intend to attend the H Shares Class Meeting, must complete the reply slips for attending the H Shares Class Meeting and return them to the Office of the Board of Directors of the Company not later than 20 days before the date of the H Shares Class Meeting, i.e. no later than Tuesday, 27 November 2018.

Details of the Office of the Board of Directors of the Company are as follows:

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

- (D) Each holder of H shares 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 that proxy is a shareholder or not, to attend and vote on his behalf at the H Shares Class Meeting.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his proxy duly authorised in writing or, if the principal is a legal person, under seal or under the hand of the director or proxy duly authorised. Where such instrument is signed by a person authorised by the appointor, the power of attorney authorising signature or other authorisation documents shall be notarised.
- (F) For holders of H shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for holding the H Share Class Meeting (or any adjournment thereof) in order for such documents to be valid.
- (G) If a proxy attends the H Shares Class Meeting on behalf of a shareholder, he should produce his identity card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a shareholder which shareholder is a legal person attends the H Shares Class Meeting, such legal representative should produce his identity card and valid documents evidencing his capacity as such legal representative. If a shareholder which is a legal person appoints a company representative other than its legal

NOTICE OF H SHARES CLASS MEETING

representative to attend the H Shares Class Meeting, such representative should produce his identity card and an authorisation instrument affixed with the seal of that shareholder (which is a legal person) and duly signed by its legal representative.

- (H) Pursuant to the Administrative Measures on Share Option Incentives of Listed Companies (the “**Administrative Measures**”), the independent non-executive director of a company listed on the Shanghai Stock Exchange shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participate in general meetings, so as to encourage them to vote on the resolutions in respect of the adoption of a share incentive scheme. Pursuant to the Administrative Measures and authorisation of other independent non-executive directors, Mr. Ruan Yongping, an independent non-executive director, will send the proxy form for the solicitation of voting rights by independent non-executive director (the “**Independent Director’s Proxy Form**”) to solicit voting rights from the H Shareholders on the special resolutions in respect of the proposed A share option incentive scheme of the Company (the “**Scheme**”) and its related matters at the H Shares Class Meeting. For further details of the Independent Director’s Proxy Form, please refer to the announcement in respect of the public solicitation of voting rights by the independent non-executive director to be published by the Company.

Should you wish to appoint Mr. Ruan Yongping as your proxy to vote for you and on your behalf at the H Shares Class Meeting on the special resolutions in respect of the Scheme and its related matters, please complete, sign and return the Independent Director’s Proxy Form to the Company’s H share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding of the H Shares Class Meeting or any adjournment thereof.

You may appoint Mr. Ruan Yongping as your proxy to vote for you and on your behalf solely on the special resolutions in respect of the Scheme and its related matters at the H Shares Class Meeting. If you wish to appoint any person other than Mr. Ruan Yongping as your proxy to vote for you and on your behalf solely on all resolutions at the H Shares Class Meeting, you may disregard the Independent Director’s Proxy Form and complete and return the proxy form published by the Company on 2 November 2018 (the “**Proxy Form**”) only.

Please note that if you have completed and returned both the Proxy Form and the Independent Director’s Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the Proxy Form and the Independent Director’s Proxy Form, your voting instructions given in the Independent Director’s Proxy Form will be counted as your vote for or against the special resolutions in respect of the Scheme and its related matters at the H Shares Class Meeting.

- (I) The H Shares Class Meeting is expected to last for an hour. Shareholders attending the H Shares Class Meeting are responsible for their own transportation and accommodation expenses.
- (J) As at the date of this notice, the board of directors of the Company comprises Mr. Huang Xiaowen, Mr. Liu Hanbo and Mr. Lu Junshan as executive directors, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as non-executive directors, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive directors.