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) ADJUSTMENT OF THE NUMBER OF THE INITIAL GRANT OF THE 2023 SHARE OPTION INCENTIVE SCHEME
(2) INITIAL GRANT OF SHARE OPTIONS UNDER THE 2023 SHARE OPTION INCENTIVE SCHEME

References are made to (i) the announcement of COSCO SHIPPING Energy Transportation Co., Ltd. (the "**Company**") dated 26 October 2023, (ii) the circular of the Company dated 23 April 2024 (the "**Circular**"), and (iii) the poll results announcement of the Company dated 10 May 2024, in relation to, among others, the proposed adoption of the 2023 A Share Option Incentive Scheme. Unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as defined in the Circular of the Company.

ADJUSTMENT OF THE NUMBER OF THE INITIAL GRANT OF THE 2023 SHARE OPTION INCENTIVE SCHEME

On 10 May 2024, the Board considered and approved the Proposal on Adjustment of the Number of the Initial Grant of the 2023 Share Option Incentive Scheme at the fourth meeting of the Board in 2024. Given the internal adjustment of some Participants proposed to be granted Share Options under the 2023 Share Option Incentive Scheme, the Board has adjusted the number of Share Options granted under the Scheme according to the authorization of the general meeting. After the adjustment, the total number of Share Options of the Initial Grant is reduced from 22,465,500 to 22,309,600. Save as disclosed above, the number of Share Options granted to the Participants by the Company is in line with those considered and approved at the EGM and the Class Meetings.

The above-mentioned adjustment to the number of Share Options granted will not have a material effect on the financial conditions and operating results of the Company.

INITIAL GRANT OF SHARE OPTIONS TO THE PARTICIPANTS OF THE 2023 SHARE OPTION INCENTIVE SCHEME

On 10 May 2024, the 2023 Share Option Incentive Scheme was approved by the EGM and the Class Meetings of the Company by way of special resolutions passed at the relevant meetings. Thereafter, the Board, pursuant to the authorisation given by the general meeting, resolved and passed the Proposal on Adjustment of the Number of the Initial Grant of the 2023 Share Option Incentive Scheme and the Proposal on Initial Grant of Share Options under the 2023 Share Option Incentive Scheme. The Board is of the view that all conditions of the Initial Grant have been satisfied and has determined 10 May 2024 as the Date of Grant. Details of which are as follows:

Initial Grant of Share Options under the 2023 Share Option Incentive Scheme

1. ***Date of Grant:*** 10 May 2024

2. ***Exercise Price:*** RMB13.00 per A Share

3. ***Source of Shares:*** new A Shares (being ordinary shares) to be issued and placed to the Participants by the Company

4. ***Market price of the A Shares on the Date of Grant:*** RMB17.15 per A Share

5. ***Number of Share Options granted:*** 22,309,600

6. ***Number of grantees under the Initial Grant:*** 107

The details of the Participants and the Initial Grant are set out in the table below:

Name	Position(s)	Share Options Granted *(ten thousands)*	Proportion to the total Share Options in the Initial Grant	Proportion to the total share capital of the Company as at the date of this announcement[(2)]
I. Directors, senior management				
Ren Yongqiang	Executive Director, Chairman, Secretary of Party Committee	28.32	1.269%	0.006%
Zhu Maijin	Executive Director, General Manager, Deputy Secretary of Party Committee	26.93	1.207%	0.006%
Qin Jiong	Deputy General Manager, Member of Party Committee	20.98	0.940%	0.004%
Yu Bozheng	Deputy General Manager, Member of Party Committee	20.98	0.940%	0.004%
Tian Chao	Chief Accountant, Member of Party Committee	19.68	0.882%	0.004%
Chen Jianrong	Deputy General Manager, Member of Party Committee	19.42	0.870%	0.004%
Ni Yidan	Secretary to the Board	16.49	0.739%	0.003%
Subtotal (7 persons)		**152.80**	**6.849%**	**0.032%**
II. Other participants				
Core management at the headquarters (62 persons)		1,247.99	55.940%	0.262%
Core management of subsidiaries (38 persons)		830.17	37.211%	0.174%
Total Initial Grant (107 persons)		**2,230.96**	**100.000%**	**0.468%**

Notes:

(1) Any discrepancy in the last digit of the above total amount and the sum of all breakdowns is a result of rounding.

(2) The total number of Shares of the Company as at the date of this announcement is 4,770,776,395.

The Company expects that no more than 5,616,400 Reserved Options will be granted on or before 31 December 2024. As of the date of this announcement, taking into account the Initial Grant of Share Options, 5,616,400 Shares may be granted in the future under the mandate limit of the 2023 Share Option Incentive Scheme.

7. *Validity Period, Vesting Period and exercise arrangement of Share Options*

(1) Validity Period

The Validity Period for the Exercise of the Share Options granted shall be seven years from the Date of Grant (i.e. from 11 May 2024 to 10 May 2031), which means that the employees can exercise on the pre-determined effective and exercise schedule within seven years from the Date of Grant. Share Options not exercised will lapse after seven years from the Date of Grant.

(2) Vesting Period

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

(3) Exercise Date, performance targets and clawback mechanism

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

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

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

If the current effective conditions are not fulfilled, the Share Options shall not be exercised or deferred to become exercisable in the next Exercise Period, and the respective Share Options shall be cancelled by the Company. The portion that fails to be exercised within each Exercise Period shall not be exercised subsequently. After the expiration of the current Exercise Period, all Share Options not exercised shall lapse, and shall be recalled and cancelled by the Company collectively. For further details of the clawback mechanism, please refer to "Appendix I – Summary of the Principal Terms of the 2023 Share Option Incentive Scheme – M. Handling of Special Occasions of the Company and Participants" in the Circular.

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

Where the Participant is a Director or senior management of the Company, upon the Exercise, no less than 20% of the Shares exercised from options granted to the relevant Participant under each Exercise Period shall not be sold until the expiry and assessment being made for the tenure (or employment) before they can be sold. The term tenure (or employment) herein means the tenure for the office from the starting date of the last Exercise Period.

(4) Performance conditions for the Share Options to become effective

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

(a) Performance conditions on company level

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

Performance targets for each effective year are as follows:

Performance Targets	First Exercise Period (One year immediately preceding the Share Options coming into effect, being 2024)	Second Exercise Period (One year immediately preceding the Share Options coming into effect, being 2025)	Third Exercise Period (One year immediately preceding the Share Options coming into effect, being 2026)
EOE attributable to owners of the Company[(1)]	No less than 22.0%, and no less than the 75th percentile of Benchmark Enterprises	No less than 24.0%, and no less than the 75th percentile of Benchmark Enterprises	No less than 26.0%, and no less than the 75th percentile of Benchmark Enterprises
Compound growth rate of the total profit compared to 2022[(2)]	No less than 24.1%, and no less than the 75th percentile of Benchmark Enterprises	No less than 24.3%, and no less than the 75th percentile of Benchmark Enterprises	No less than 24.5%, and no less than the 75th percentile of Benchmark Enterprises
Economic value added (EVA)	Completion of targets delegated to the Group by the SASAC and disintegrated to the Company		

Notes:

1. EOE attributable to owners of the Company, the formula is: EBITDA after extraordinary profit and loss for the period ÷[(net assets attributable to shareholders of the listed company at the beginning of the period + net assets attributable to shareholders of the listed company at the end of the period) ÷ 2] × 100%. The corresponding period is the financial year ending 31 December 2024, 2025 and 2026 for the First Exercise Period, the Second Exercise Period and the Third Exercise Period, respectively.

2. Compound growth rate of the total profit is calculated with the total profit of the Company for the period compared with that of the Company for the financial year ended 31 December 2022. The corresponding period is the financial year ending 31 December 2024, 2025 and 2026 for the First Exercise Period, the Second Exercise Period and the Third Exercise Period, respectively.

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

4. During the Validity Period of the incentive scheme, if the Company or its consolidated unit has changes in net assets arising from issuance of new shares, rights issue, share capital increase and other matters, the changes in net assets arising from such matter shall be excluded from the appraisal.

5. According to the relevant policy of the SASAC, 20 A shares listed companies, Hong Kong listed companies and companies listed on other stock exchanges, which are operating a similar business with the Company, have been selected as Benchmark Enterprises.

6. The Board is entitled to make adjustment and revision to the above performance indicators according to the company strategy, market environment and other factors, and perform the relevant approval and filing procedures.

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

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

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

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

8. ***Financial assistance:*** There is no arrangement for the Group to provide any financial assistance to the Grantees to facilitate the purchase of Shares under the Scheme.

VERIFICATION OF THE LIST OF PARTICIPANTS OF THE SUPERVISORY COMMITTEE

The Supervisory Committee confirmed that it has verified the list of approved Participants under the 2023 Share Option Incentive Scheme and the approved Participants have fulfilled the conditions on employment qualifications and requirements on Participants under the Administrative Measures and other relevant laws, regulations and statutory requirements.

IMPACT ON THE COMPANY'S OPERATING CAPACITY AND FINANCIAL CONDITIONS AFTER THE GRANT OF THE SHARE OPTIONS

The Company has selected the internationally adopted Black-Scholes Option Pricing Model to measure the fair value of the Share Options granted on 10 May 2024, being the Date of Grant, in accordance with the "Accounting Standards for Enterprises No. 11 – Share-based Payments and Accounting Standards for Enterprises" and "Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments" issued by the Ministry of Finance of the People's Republic of China and the requirements of the SASAC. The values of all parameters of the valuation model and descriptions are as follows:

Valuation factor	Value of factors	Brief description
Expected volatility	51.77%	Historical share price volatility of the Company in the same period
Expected dividend yield	0%	According to valuation principles and the regulatory requirements of the SASAC, if a share option scheme has stipulated the principle for adjustment to the exercise price after distribution of dividends by the Company, the expected dividend rate will no longer be considered in the fair value valuation of a share option and 0% will be used as an input
Risk-free interest rate	2.0589%	According to the 3.83-year national bond rate linearly simulated from the yield of the 3-year and 5-year PRC treasury bond as at the valuation benchmark date

Valuation factor	Value of factors	Brief description
Expected life	3.83 years	Expected life = 0.5 × (weighted expected effective period + total effective life), being: 0.5 × [33% × (2 + 3) + 33% × (3 + 4) + 34% × (4 + 7)] = 3.83 (years)
Exercise price	RMB13.00	The relevant exercise price required by the CSRC and the SASAC
Market price of A Shares	RMB17.15	The closing price of A Shares of the Company on 10 May 2024

Based on the valuation model and the measurement of various data as at 10 May 2024, the unit cost of the Share Options granted is RMB8.53 and the total cost of the 22,309,600 Share Options granted is RMB190,300,888.

The cost of this stock options granted should be amortised over the Vesting Period (up to 24, 36 and 48 months respectively from the Date of Grant). Therefore, the amortisation of the cost of the stock options will have certain impact on the operating results of the Company. In accordance with the requirements of the PRC Accounting Standards, the impacts on the accounting costs for each period are shown in the table below:

Year	2024	2025	2026	2027	2028
Amortisation for the year *(RMB, ten thousands)*	3,996.32	6,850.83	5,019.19	2,489.77	673.98

The above assessment results are subject to the amount to be audited by the auditors.

The incentive costs incurred under the Scheme will be expensed in recurring gains and losses. Judging from the present circumstances, without considering the stimulating effect of the Scheme on the Company's performance, the amortisation of the costs of the Scheme is expected to have an impact on the Company's net profit for each year during the Validity Period, while the extent of such impact will be insignificant.

CONCLUDING OBSERVATIONS OF THE LEGAL OPINION OF THE PRC LAWYER

Grandall Law Firm (Shanghai) has issued the following opinions: as at the date of this legal opinion, the Company has duly acquired approvals and authorizations necessary for the grant at current stage; Date of Grant, Participants and number of grants meet with requirements under the Administrative Measures on Share Option Incentives of Listed Companies and the Scheme; as there are no such circumstances that may prevent the Company and the Participants from granting or being granted with Share Options under the Administrative Measures on Share Option Incentives of Listed Companies and the Scheme, Conditions of Grant of this grant have been fulfilled, and the Company's granting of Share Options to the Participants is in compliance with the requirements under the Administrative Measures on Share Option Incentives of Listed Companies and the Scheme. The Company still needs to comply with its information disclosure obligations and registration of the grant in accordance with the law.

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

Shanghai, the PRC
10 May 2024

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

* *For identification purposes only*