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

If you have sold or transferred all your shares in COSCO SHIPPING Holdings Co., Ltd., you should at once hand this circular, the forms of proxy, the INED's Proxy Forms and the reply slips to the purchaser or transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.*

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

(Stock Code: 1919)

PROPOSED ADOPTION OF THE SHARE OPTION INCENTIVE SCHEME

A letter from the Board is set out on pages 5 to 14 of this circular.

The notices convening the EGM and the H Share Class Meeting to be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Oceanus International Convention Hall, 4th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC on Friday, 26 April 2019 at 10:00 a.m. immediately after the A Share Class Meeting respectively, together with the respective forms of proxy, INED's Proxy Forms and reply slips, were despatched to the Shareholders on 12 March 2019.

Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the forms of proxy or the INED's Proxy Forms in accordance with the instructions printed thereon. The forms of proxy or the INED's Proxy Forms should be returned to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM and/or the H Share Class Meeting or any adjournment thereof. Completion and return of the forms of proxy or the INED's Proxy Forms will not preclude you from attending and voting in person at the EGM and the H Share Class Meeting or at any adjournment thereof should you so wish.

* *For identification purpose only*

18 March 2019

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DEFINITIONS

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

“A Share Class Meeting”	the class meeting of the A Shareholders to be convened on 26 April 2019 to consider and, if thought fit, approve, among other things, the adoption of the Share Option Incentive Scheme
“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Administrative Measures”	the “Administrative Measures on Share Incentives of Listed Companies” (《上市公司股權激勵管理辦法》) issued by the CSRC
“Appraisal Measures”	the “Appraisal Measures on the Share Option Incentive Scheme” (《股票期權激勵計劃實施考核辦法》) of the Company
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Company”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601919)
“Company Law”	the Company Law of the PRC
“Conditions of Exercise”	the conditions to be satisfied for the Share Options to become effective and exercisable under the Share Option Incentive Scheme
“Conditions of Grant”	the conditions to be satisfied for the grant of Share Options under the Share Option Incentive Scheme
“connected person”	has the meaning ascribed to it under the Listing Rules
“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
“CSRC”	China Securities Regulatory Commission

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“Date of Grant”	subject to the Shareholders’ approval of the Share Option Incentive Scheme at the Shareholders’ Meetings, the date of the announcement in relation to the Board’s confirmation on the satisfaction of the Conditions of Grant
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on 26 April 2019 at 10:00 a.m. to consider and, if thought fit, approve, among other things, the proposed adoption of the Share Option Incentive Scheme
“EOE”	earnings before interest, taxes, depreciation and amortization on average equity
“EVA”	the economic value added, representing the annual net operating profit after tax and deductions of all costs of equity and debt capital invested, calculated in accordance with the “Interim Measures for Business Performance Appraisals of Persons-in-Charge at Central Enterprises” (《中央企業負責人經營業績考核暫行辦法》) issued by the SASAC
“Group”	the Company and its subsidiaries
“H Share Class Meeting”	the class meeting of the H Shareholders to be convened on 26 April 2019 to consider and, if thought fit, approve, among other things, the adoption of the Share Option Incentive Scheme
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“INED’s Proxy Form(s)”	the form(s) of proxy for the solicitation of votes by Mr. Wu Dawei, an independent non-executive Director, to solicit votes from the Shareholders on the special resolutions in relation to the Share Option Incentive Scheme, the Appraisal Measures and the Management Measures at the EGM and the Class Meetings
“Latest Practicable Date”	12 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Measures”	the “Management Measures on Share Option Incentive Scheme” (《股票期權激勵計劃管理辦法》) of the Company
“OOIL”	Orient Overseas International Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (stock code: 316), which is a non-wholly owned subsidiary of the Company
“Participant(s)”	the person(s) to be granted Share Option(s) under the Share Option Incentive Scheme
“Peer Benchmark Companies”	14 companies engaging in similar businesses to the Group’s businesses which have been selected as benchmark companies as set out in Appendix II to this circular
“PRC”	the People’s Republic of China
“Proposed Grant”	the proposed grant of 218,236,900 Share Options (including the Reserved Share Options) to the Participants pursuant to the terms of the Share Option Incentive Scheme
“Remedial Measures of the Current Return”	the remedial measures of the Company in relation to the dilutive effect on the current return of the Company after completion of the non-public issuance of A Shares by the Company, as further described in Appendix I to the circular of the Company dated 1 December 2017
“Remuneration Committee”	the remuneration committee of the Board
“Reserved Share Options”	a total of 21,823,700 Share Options reserved under the Share Option Incentive Scheme, the Participants of which shall be determined by the Board within 12 months after the Share Option Incentive Scheme is considered and approved by the Shareholders at the Shareholders’ Meetings
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share Option Incentive Scheme”	the proposed A Share option incentive scheme of the Company
“Share Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares at a pre-determined exercise price in a particular period of time and subject to certain conditions under the Share Option Incentive Scheme
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Meetings”	collectively, the EGM and the Class Meetings
“Supervisor(s) ”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“trading day(s)”	any day on which the A Shares are traded on the Shanghai Stock Exchange
“Trial Measures”	the Trial Measures for Implementing the Equity Incentive System by the State-Controlled Listed Companies (Domestic) of the PRC
“Validity Period”	the period during which the Share Option Incentive Scheme remains effective
“%”	per cent

* For identification purpose only.

LETTER FROM THE BOARD



中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

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

(Stock Code: 1919)

Directors:

Mr. XU Lirong¹ (Chairman)
Mr. HUANG Xiaowen¹ (Vice Chairman)
Mr. WANG Haimin¹
Mr. ZHANG Wei (張為)¹
Mr. FENG Boming²
Mr. ZHANG Wei (張煒)²
Mr. CHEN Dong²
Mr. YANG, Liang Yee Philip³
Mr. WU Dawei³
Mr. ZHOU Zhonghui³
Mr. TEO Siong Seng³

Registered Office:

2nd Floor, 12 Yuanhang Business Centre
Central Boulevard and East Seven Road Junction
Tianjin Port Free Trade Zone
Tianjin, the PRC

Head office and principal place of business in

Hong Kong:
49th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

¹ *Executive Director*

² *Non-executive Director*

³ *Independent non-executive Director*

** For identification purpose only*

18 March 2019

To the Shareholders

Dear Sir or Madam,

PROPOSED ADOPTION OF SHARE OPTION INCENTIVE SCHEME

I. INTRODUCTION

Reference is made to announcement of the Company dated 4 December 2018 in relation to the proposed adoption of the Share Option Incentive Scheme.

The purpose of this circular is to provide you with, among other things, further details of the terms of the Share Option Incentive Scheme, the Appraisal Measures and the Management Measures, and to seek your approval of the special resolutions relating to the aforesaid matters to be proposed at the EGM and the H Share Class Meeting.

LETTER FROM THE BOARD

II. PROPOSED ADOPTION OF THE SHARE OPTION INCENTIVE SCHEME

1. Purpose of the Share Option Incentive Scheme

The purpose of the Share Option Incentive Scheme is to, among other things, further refine the corporate governance structure of the Company, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the management and key technical personnel of the Group, thereby linking the interests of the Shareholders, the Company and the senior management and employees of the Company together and facilitating the achievement of the mid- to long-term development targets of the Company.

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

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

The source of the underlying Shares of the Share Option Incentive Scheme shall be the A Shares to be issued by the Company. The A Shares to be issued pursuant to the exercise of the Share Options granted under the Share Option Incentive Scheme shall rank *pari passu* with other A Shares in issue as at the date of the issuance of such A Shares in respect of voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to such A Shares. The Share Options (including the Reserved Share Options) do not carry any right to vote at the general meetings of the Company, or any dividend, transfer or other rights (including those arising on a liquidation of the Company).

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

The total number of underlying A Shares in relation to the Share Options (including the Reserved Share Options) to be granted under the Share Option Incentive Scheme shall be 218,236,900 A Shares, representing approximately 2.25% of the existing A share capital of the Company and approximately 1.78% of the existing total issued share capital of the Company as at the Latest Practicable Date.

The total number of the Reserved Share Options shall be 21,823,700, representing approximately 10% of the total number of Share Options to be granted under the Share Option Incentive Scheme. Participants eligible for the Reserved Share Options shall be determined by the Board within 12 months after the Share Option Incentive Scheme is considered and approved by the Shareholders at the Shareholders' Meetings with reference to the basis for determination of the grant of the Share Options under the Share Option Incentive Scheme. If the Participants eligible for the Reserved Share Options are not determined within the abovementioned 12-month period, the Reserved Share Options will lapse.

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

The Participants are not required to pay any consideration at the time of the Grant of the Share Options.

3. Validity Period, Date of Grant, vesting period, exercise date, exercise period and lock-up restrictions

(1) *Validity Period*

The Share Option Incentive Scheme shall be effective for 10 years from the date on which the Share Option Incentive Scheme is approved by the Shareholders at the Shareholders' Meetings. The exercise period of the Share Options (including the Reserved Share Options) under the Share Option Incentive Scheme shall be seven years. The Company may adopt new share option scheme(s) two years after the effective date of the Share Option Incentive Scheme, subject to the approval by the Shareholders at a general meeting and class meetings of the Company at the relevant time.

(2) *Date of Grant*

The Date of Grant will be determined by the Board upon consideration and approval of the Share Option Incentive Scheme by the Shareholders at the Shareholders' Meetings. The Date of Grant of the Share Options (other than the Reserved Share Options) will be determined by the Board within 60 days after the approval of the Share Option Incentive Scheme at the Shareholders' Meetings.

The Date of Grant must be a trading day, subject to the following:

- (i) if the Participant is a Director or senior management member of the Company, no Share Option may be granted during (a) the period commencing from 60 days immediately preceding the publication date of the Company's annual results announcement and ending on the publication date of the Company's annual results announcement (including the date of the relevant announcement); (b) the period commencing from 30 days immediately preceding the publication date of the Company's half-year and quarterly results announcement and ending on the publication date of the Company's half-year and quarterly results announcement (including the date of the relevant announcement); and (c) the period commencing from 10 days immediately preceding the publication date of the Company's announcement of estimated results and preliminary results; and

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- (ii) no Share Option may be granted after inside information has come to the Company's knowledge until the Company has announced the information, in particular, the Company may not grant any Share Option during the period commencing from one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period and ending on the date of the results announcement.

No Share Option may be granted by the Company during any period of delay in publishing the results announcement.

(3) *Vesting period*

The vesting period of the Share Option Incentive Scheme is 24 months from the Date of Grant.

(4) *Exercise period and exercise date*

The Share Options shall be exercisable after the expiration of the 24-month period from the Date of Grant. The exercise date of the Share Options shall be a trading day and shall not fall within any of the following periods:

- (i) the period commencing from 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the periodic reports of the Company due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day immediately preceding the publication date;
- (ii) the period commencing from 10 days prior to the publication of the announcements of estimated results and preliminary results of the Company;
- (iii) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Shares and derivatives of the Shares or the date on which relevant decision-making procedures commence, and ending on the second trading day following the making of relevant disclosure in accordance with laws; and
- (iv) other periods as stipulated by the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and applicable laws and regulations of the PRC and Hong Kong.

LETTER FROM THE BOARD

During the relevant exercise period, subject to the satisfaction of the Conditions of Exercise, the Participants (including the Participants of the Reserved Share Options) shall exercise their Share Options in three batches and in accordance with the following arrangement:

Exercise period	Duration	Proportion of exercisable Share Options to the total number of Share Options granted
Exercise period in respect of the first batch of the Share Options	Commencing on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	33%
Exercise period in respect of the second batch of the Share Options	Commencing on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	33%
Exercise period in respect of the third batch of the Share Options	Commencing on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant	34%

If the Conditions of Exercise in respect of the relevant exercise period are not fulfilled, the relevant batch of the Share Options shall not be exercised or become exercisable in the next exercise period, and shall be cancelled by the Company.

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

III. CONDITIONS TO THE SHARE OPTION INCENTIVE SCHEME

The Share Option Incentive Scheme is subject to the review and approval by the SASAC and the approval by the Shareholders at the Shareholders' Meetings. The Company had obtained the approval by the SASAC of the Share Option Incentive Scheme as at the Latest Practicable Date.

LETTER FROM THE BOARD

IV. PROPOSED GRANT UNDER THE SHARE OPTION INCENTIVE SCHEME

Pursuant to the Share Option Incentive Scheme, the Board proposed to grant Shares Options to 475 Participants (excluding the Participants of the Reserved Share Options), which comprises nine Directors and senior management members of the Company, 13 senior management members of the subsidiaries of the Company and 453 other key business and technical personnel of the Group. Participants eligible for the Reserved Share Options shall be determined by the Board within 12 months after the Share Option Incentive Scheme is considered and approved by the Shareholders at the Shareholders' Meetings with reference to the basis for determination of the grant of the Share Options under the Share Option Incentive Scheme. If the Participants eligible for the Reserved Share Options are not determined within 12 months, the Reserved Share Options will lapse. According to the relevant regulations of the State Council and the CSRC, in order to protect the interests of the minority Shareholders and potential investors of the Company, in connection with the non-public issuance of A Shares by the Company, the Directors and senior management of the Company have undertaken to ensure the Company's strict implementation of the Remedial Measures of the Current Return. For the Directors and senior management of the Company who are also Participants under the Share Option Incentive Scheme, in addition to the fulfilment of the individual performance targets by the relevant Participants, the exercisability of the Share Options of such Participants shall also be linked to the implementation of the Remedial Measures of the Current Return by the Company. For details of the Participants, please refer to Appendix I to this circular.

V. PROPOSED ADOPTION OF THE APPRAISAL MEASURES

Under the Share Option Incentive Scheme, the Company and the Participants shall meet the performance target before the grant and the exercise of the Share Options. The Company proposes to adopt the Appraisal Measures, which sets out the details of the appraisal measures in respect of the performance target of the Company and the Participants. A special resolution will be proposed at the Shareholders' Meetings to approve the adoption of the Appraisal Measures, the full text of which is set out in Appendix II to this circular.

VI. PROPOSED ADOPTION OF THE MANAGEMENT MEASURES

To determine the roles and allocate responsibilities amongst relevant departments and organizations of the Company in respect of the management and implementation of the Share Option Incentive Scheme, the Company proposes to adopt the Management Measures. A special resolution will be proposed at the Shareholders' Meetings to approve the adoption of the Management Measures, the full text of which is set out in Appendix III to this circular.

VII. CORPORATE GOVERNANCE MEASURES ON THE ADOPTION AND IMPLEMENTATION OF THE SHARE OPTION INCENTIVE SCHEME

Under the Share Option Incentive Scheme, one of the 11 Directors, Mr. Wang Haimin (an executive Director) is a proposed grantee of the Share Options. Mr. Wang Haimin is the general manager of the Company responsible for the overall operation, administration and management of the Company, and he has abstained from voting on the Board resolutions on the approval of the Share Option Incentive Scheme and other matters relating thereto. Mr. Wang Haimin is not a member of the

LETTER FROM THE BOARD

Remuneration Committee. Other than Mr. Wang Haimin, none of the Directors has a material interest in the Share Option Incentive Scheme and the matters relating thereto and hence no Director has abstained from voting on the relevant Board resolutions in accordance with the Listing Rules, the Articles of Association and applicable laws and regulations. In accordance with Rule 17.04(1) of the Listing Rules, the grant of Share Options to Mr. Wang Haimin has been approved by the independent non-executive Directors.

In order to incentivize the management and key technical personnel of the Group, thereby linking the interests of the Shareholders, the Company and the senior management and employees of the Company together and facilitating the achievement of the mid-to-long term development targets of the Company and in line with market practice for listed companies' share incentive schemes, eligible Participants of the Share Option Incentive Scheme include directors, senior management of the Company and other key management and technical personnel who have a direct impact on the overall results and continuous development of the Group. The Supervisors and independent non-executive Directors are not eligible to participate in the Share Option Incentive Scheme. The Company will ensure that in any matters relating to the execution, administration and implementation of the Share Option Incentive Scheme during the term of the Share Option Incentive Scheme which require the approval of the Board or Board committees, including the grant of the Reserved Share Options, all Directors who are grantees or proposed grantees of the Share Options shall abstain from attending the discussions and voting on the relevant resolutions of the Board or Board committees. Furthermore, the Company will ensure that the rules of the Share Option Incentive Scheme (including those in relation to the exercise of Share Options and gains of grantees from the exercise as further described in the section headed "VI — Gains of the Share Options" in Appendix I to this circular) are strictly implemented and apply to all grantees equally, in accordance with the terms of the Share Option Incentive Scheme, the Listing Rules, the relevant requirements of SASAC, and other applicable laws of the PRC and Hong Kong.

In addition, the Company will ensure that in accordance with Rule 17.04(1) of the Listing Rules, any grant of a Reserved Share Option to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the approval of the independent non-executive Directors.

Further, the Company will ensure that the decisions relating to the implementation and administration of the Share Option Incentive Scheme would be made in the best interests of the Shareholders as a whole and there is no conflict of interests. The Company will also endeavour to improve its financial and operational performance in order to achieve the purpose of the Share Option Incentive Scheme, realizing investment returns for the Shareholders and potential investors of the Company.

VIII. IMPLICATION UNDER THE LISTING RULES

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

LETTER FROM THE BOARD

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

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 exercise price of the Share Options on the basis that, among other things, (i) the Shares to be issued upon the exercise of the Share Options are A Shares traded on the Shanghai Stock Exchange; (ii) the basis of determination of the exercise price of the Share Options is required by and in accordance with the relevant laws and regulations in the PRC; and (iii) the proposed adoption of the A Share Option Incentive Scheme will be subject to the approval of the Shareholders at the Shareholders' Meetings, whereby the H Shareholders will have the opportunity to fully consider and evaluate the terms of the Share Option Incentive Scheme based on its merits and the interest of the H Shareholders will not be prejudiced.

For details of the determination of the Exercise Price under the Share Option Incentive Scheme, please refer to the paragraph headed "V - Exercise price and basis of determination" in Appendix I to this circular.

IX. EGM AND CLASS MEETINGS

The EGM and the Class Meetings will be convened to consider and, if thought fit, approve the resolutions in respect of, among other things, the Share Option Incentive Scheme, the Appraisal Measures and the Management Measures. Such resolutions will be proposed by way of special resolutions.

The EGM will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Oceanus International Convention Hall, 4th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC on Friday, 26 April 2019 at 10:00 a.m. The A Share Class Meeting will be held on the same date and at the same venue immediately after the conclusion of the EGM, and the H Share Class Meeting will be held on the same date and at the same venue immediately after the conclusion of the A Share Class Meeting. A notice of the EGM and a notice of the H Share Class Meeting together with the forms of proxys and the reply slips were despatched to the Shareholders on 12 March 2019.

The register of members will be closed from Wednesday, 27 March 2019 to Friday, 26 April 2019, both days inclusive, during which period no transfer of the Shares will be effected. Shareholders whose names appear in the register of members and/or H share register of members of the Company on Tuesday, 26 March 2019 at 4:30 p.m. are entitled to attend and vote at the EGM and/or the H Share Class Meeting. In order to attend and vote at the EGM and/or the H Share Class Meeting, all transfer documents accompanied by relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 26 March 2019.

LETTER FROM THE BOARD

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

The INED's Proxy Forms of Mr. Wu Dawei, an independent non-executive Director, to solicit votes from the Shareholders on the special resolutions in relation to the Share Option Incentive Scheme, the Appraisal Measures and the Management Measures at the EGM and the H Share Class Meeting, were also despatched to the Shareholders on 12 March 2019. Should you wish to appoint Mr. Wu Dawei as your proxy to vote for you and on your behalf at the EGM and/or the H Share Class Meeting, please complete the INED's Proxy Forms for the EGM and the H Share Class Meeting. Alternatively, if you wish to appoint any person other than Mr. Wu Dawei as your proxy to vote for you and on your behalf at the EGM and/or the H Share Class Meeting, you may disregard the INED's Proxy Forms and complete and return the forms of proxy for the EGM and/or the H Share Class Meeting instead. The announcement dated 12 March 2019 in relation to the public solicitation of voting rights by the independent non-executive Directors has also been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinacosco.com).

Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the forms of proxy for the EGM and the H Share Class Meeting or the INED's Proxy Forms in accordance with the instructions printed thereon. The forms of proxy or the INED's Proxy Forms should be returned to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM and/or the H Share Class Meeting or any adjournment thereof.

Completion and return of the forms of proxy or the INED's Proxy Forms will not preclude you from attending and voting in person at the EGM and the H Share Class Meeting or at any adjournment thereof should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders should be taken at a general meeting of the Company shall be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement of the poll results will be made by the Company after the EGM and the H Share Class Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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

LETTER FROM THE BOARD

X. RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the proposed adoption of the Share Option Incentive Scheme, the Appraisal Measures, the Management Measures and the authorization to the Board to handle all matters relation to the Share Option Incentive Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all Shareholders to vote in favour of all the resolutions as set out in the notices of the EGM and the Class Meetings.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Share Option Incentive Scheme, the Appraisal Measures and the Management Measures are available for inspection at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 26 April 2019, being the date of the Shareholders' Meetings.

XII. 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.

By Order of the Board
COSCO SHIPPING Holdings Co., Ltd.
Guo Huawei
Company Secretary

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

I. Purpose of the Share Option Incentive Scheme

The purpose of the Share Option Incentive Scheme is to, among other things, further refine the corporate governance structure of the Company, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the management and key technical personnel of the Group, thereby linking the interests of the Shareholders, the Company and the senior management and employees of the Company together and facilitating the achievement of the mid- to long-term development targets of the Company.

II. Basis of determining the Participants and the scope of the Participants

(1) *Basis of determining the Participants*

The scope of the Participants are determined, having taken into account the actual situation of the Company, in accordance with the Company Law, the Securities Law, the Administrative Measures, the Listing Rules, other relevant laws, regulations and regulatory documents and the Articles of Association.

(2) *Scope of the Participants*

- (i) The Participants include the Directors, senior management and key management and technical personnel of the Company who have direct impact on the overall results and continuous development of the Company and its subsidiaries;
- (ii) If a Participant is a Director, chief executive or substantial Shareholder or any of their respective associates (as defined in the Listing Rules), each grant of the Share Options to any of the abovementioned persons shall be approved by the independent non-executive Directors;
- (iii) Supervisor(s) and independent non-executive Director(s) shall not be Participant(s);
- (iv) Any Shareholder(s) who individually or jointly hold more than 5% of the Shares or *de facto* controller(s) or their respective spouse, parents and children shall not become a Participant;
- (v) If a member of the senior management of the controlling Shareholder(s) holds position in the Company, he/she may be a Participant, but can only participate in the share option scheme of one listed subsidiary of the controlling Shareholder(s); and
- (vi) Pursuant to the Administrative Measures, a person shall not become a Participant if:
 - (a) he/she has been declared as an unsuitable candidate by the Shanghai Stock Exchange in the past 12 months;

- (b) he/she has been declared as an unsuitable candidate by the CSRC or its agencies in the past 12 months;
- (c) he/she has been imposed with administrative penalties or prohibited from entering into the market by the CSRC or its agencies in the past 12 months due to material non-compliance with laws and regulations;
- (d) he/she has been prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
- (e) he/she has been prohibited from participating in the share option incentive schemes of listed companies under laws and regulations; or
- (f) there are other circumstances as determined by the CSRC.

None of the Directors is a trustee of the Share Option Incentive Scheme or has a direct or indirect interest in the trustee of the Share Option Incentive Scheme.

III. Source and number of Shares under the Share Option Incentive Scheme

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

The source of the underlying Shares of the Share Option Incentive Scheme shall be the A Shares to be issued by the Company. The A Shares to be issued pursuant to the exercise of the Share Options granted under the Share Option Incentive Scheme shall rank *pari passu* with other A Shares in issue as at the date of the issuance of such A Shares in respect of voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to such A Shares. The Share Options (including the Reserved Share Options) do not carry any right to vote at the general meetings of the Company, or any dividend, transfer or other rights (including those arising on a liquidation of the Company).

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

The total number of underlying A Shares in relation to the Share Options (including the Reserved Share Options) to be granted under the Share Option Incentive Scheme shall be 218,236,900 A Shares, representing approximately 2.25% of the existing A share capital of the Company and approximately 1.78% of the existing total issued share capital of the Company as at the date of the Latest Practicable Date.

The total number of the Reserved Share Options shall be 21,823,700, representing approximately 10% of the total number of Share Options to be granted under the Share Option Incentive Scheme. Participants eligible for the Reserved Share Options shall be determined by the Board within 12 months after the Share Option Incentive Scheme is considered and approved by the Shareholders at the Shareholders' Meetings with reference to the basis for determination of the grant of the Share Options under the Share Option Incentive Scheme. If the Participants eligible for the Reserved Share Options are not determined within 12 months, the Reserved Share Options will lapse.

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

IV. Validity Period, Date of Grant, vesting period, exercise date, exercise period and lock-up restrictions

(1) *Validity Period*

The Share Option Incentive Scheme shall be effective for 10 years from the date on which the Share Option Incentive Scheme is approved by the Shareholders at the Shareholders' Meetings. The exercise period of the Share Options (including the Reserved Share Options) under the Share Option Incentive Scheme shall be seven years. The Company may adopt new share option scheme(s) two years after the effective date of the Share Option Incentive Scheme, subject to the approval by the Shareholders at a general meeting and class meetings of the Company at the relevant time.

(2) *Date of Grant*

The Date of Grant will be determined by the Board upon consideration and approval of the Share Option Incentive Scheme by the Shareholders at the Shareholders' Meetings. The Date of Grant of the Share Options (other than the Reserved Share Options) will be determined by the Board within 60 days after the approval of the Share Option Incentive Scheme at the Shareholders' Meetings.

The Date of Grant must be a trading day, subject to the following:

- (i) if the Participant is a Director or senior management member of the Company, no Share Option may be granted during (a) the period commencing from 60 days immediately preceding the publication date of the Company's annual results announcement and ending on the publication date of the Company's annual results announcement (including the date of the relevant announcement); (b) the period commencing from 30 days immediately preceding the publication date of the Company's half-year and quarterly results announcement and ending on the publication date of the Company's half-year and quarterly results announcement (including the date of the relevant announcement); and (c) the period commencing from 10 days immediately preceding the publication date of the Company's announcement of estimated results and preliminary results; and
- (ii) no Share Option may be granted after inside information has come to the Company's knowledge until the Company has announced the information, in particular, the Company may not grant any Share Option during the period commencing from one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period and ending on the date of the results announcement.

No Share Option may be granted by the Company during any period of delay in publishing the results announcement.

(3) *Vesting period*

The vesting period of the Share Option Incentive Scheme is 24 months from the Date of Grant.

(4) *Exercise period and exercise date*

The Share Options shall be exercisable after the expiration of the 24-month period from the Date of Grant. The exercise date of the Share Options shall be a trading day and shall not fall within any of the following periods:

- (i) the period commencing from 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the periodic reports of the Company due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day immediately preceding the publication date;
- (ii) the period commencing from 10 days prior to the publication of the announcements of estimated results and preliminary results of the Company;
- (iii) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Shares and derivatives of the Shares or the date on which relevant decision-making procedures commence, and ending on the second trading day following the making of relevant disclosure in accordance with laws; and
- (iv) other periods as stipulated by the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and applicable laws and regulations of the PRC and Hong Kong.

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

During the relevant exercise period, subject to the satisfaction of the Conditions of Exercise, the Participants (including the Participants of the Reserved Share Options) shall exercise their Share Options in three batches and in accordance with the following arrangement:

Exercise period	Duration	Proportion of exercisable Share Options to the total number of Share Options granted
Exercise period in respect of the first batch of the Share Options	Commencing on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	33%
Exercise period in respect of the second batch of the Share Options	Commencing on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	33%
Exercise period in respect of the third batch of the Share Options	Commencing on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant	34%

If the Conditions of Exercise in respect of the relevant exercise period are not fulfilled, the relevant batch of the Share Options shall not be exercised or become exercisable in the next exercise period, and shall be cancelled by the Company.

(5) *Lock-up period*

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

- (i) where the Participant is a Director or a member of the senior management of the Company, the number of Shares which may be transferred by the Participant each year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the Participant shall not transfer any Shares held by him/her within six months after his/her resignation from the positions held in the Company, its subsidiaries and investees;

- (ii) where the Participant is a Director or a member of senior management of the Company and he/she disposes of the Shares within six months of the acquisition or buys back the Shares within six months after the disposal, all gains arising therefrom shall be vested with the Company and the Board will forfeit all such gains; and
- (iii) if, during the Validity Period, there is any amendment to the requirements regarding transfer of Shares by a Director and a senior management member of the Company under the Company Law, the Securities Law, the Listing Rules, the SFO and other relevant laws and regulations and the Articles of Association, the amended restrictions shall apply.

V. Exercise Price and Basis of Determination

The exercise price of the Share Options (including the Reserved Share Options) to be granted under the Share Option Incentive Scheme shall be RMB4.10 per A Share, which is determined in accordance with the relevant requirements under the laws and regulations of the PRC including the Management Measures and Trial Measures.

The exercise price of the Shares Options represents the higher of the following:

- (i) the average trading price of the A Shares on 30 November 2018, being the last trading day immediately preceding the date of the announcement of the draft of the Share Option Incentive Scheme and the summary thereof on the Shanghai Stock Exchange (i.e. RMB4.05);
- (ii) the average trading price of the A Shares during the last 20 trading days immediately preceding the date of the announcement of the draft of the Share Option Incentive Scheme and the summary thereof on the Shanghai Stock Exchange (i.e. RMB4.02);
- (iii) the closing price of the A Shares on the last trading day immediately preceding the date of the announcement of the draft of the Share Option Incentive Scheme and the summary thereof on the Shanghai Stock Exchange (i.e. RMB4.10);
- (iv) the average closing price of the A Shares for the last 30 trading days immediately preceding the date of the announcement of the draft of the Share Option Incentive Scheme and the summary thereof on the Shanghai Stock Exchange (i.e. RMB3.92); and
- (v) the par value of the A Shares (i.e. RMB1.00 each).

The exercise price of the Share Options shall be adjusted upon occurrence of adjustment events (including but not limited to conversion of capital reserve to share capital, bonus issue, sub-division or consolidation of Shares, rights issue or distribution of dividends of the Company) before the exercise of the Share Options, further details of which are set out in the section headed “VIII. Methods and procedures for adjustments to the number and the exercise price of the Share Options” below in this appendix.

VI. Gains of the Share Options

The actual gains and the expected gains of the Exercise are calculated in accordance with the formulas below:

- (i) the actual gains = the number of the Share Options exercised x (the closing price of the A Shares on the Date of Exercise — the Exercise Price); and
- (ii) the estimated gains = the number of the Share Options granted x the fair value of a Share Option.

The actual gains of the Share Options shall be determined with reference to the estimated gains as determined by the Company on the date of the announcement of the draft of the Share Option Incentive Scheme on the website of the Shanghai Stock Exchange and linked to the achievement of the performance targets by the Company and the results of the performance appraisal of the Participants in the following manner:

- (i) In the event that the Company has achieved its performance targets under the Conditions of Exercise, the Share Options can become exercisable provided that the actual gains of the Share Options shall not exceed 40% of the “total remuneration level” of such Participant at the time of the Grant of such Share Options, as further described in paragraph (ii) below.
- (ii) The actual gains of a Participant shall not exceed the limit as required by SASAC, which is 40% of the “total remuneration level” of such Participant at the time of the grant of such Share Options. If the actual gains of the Share Options of a Participant exceed the abovementioned limit, the Share Options granted to such Participant but not yet exercised shall not be exercised and shall be forfeited and cancelled by the Company with nil consideration. In the event that a Participant exercises his/her Share Options in breach of the abovementioned restrictions, the actual gains of the Share Options of a Participant in excess of the abovementioned limit shall be submitted to the Company.

In the event that the results of the Company improves substantially during Validity Period, the Company may consult COSCO SHIPPING who may in turn consult the SASAC on behalf of the Company on the policies in relation to, among other things, the possibility and the standard of the increase of the abovementioned limit of actual gains and the relevant approval procedures required.

The “total remuneration level” referred to in this paragraph (ii) above shall mean the total amount of remuneration (including the estimated gains of the Share Options) of a Participant during the period between the time of the Grant of the Share Options and the earliest time when the Company is allowed to adopt another share option scheme (i.e. two years from the date of the Share Option Incentive Scheme becomes effective).

- (iii) In the event that any amendments to the regulatory requirements in relation to the gains of the share options are made by the relevant regulatory authorities after the Grant of the Share Options, the relevant restrictive requirements on the actual gains of the Share Options under the Share Option Incentive Scheme shall be amended and implemented accordingly.

VII. Conditions of Grant and Conditions of Exercise**(1) *Conditions of Grant***

- (i) the financial results based on the audited financial statements of the Company prepared in accordance with the PRC Accounting Standards having satisfied the following conditions:
 - (a) the EOE for 2017 shall be not lower than the average EOE in the past three years (i.e. 2014, 2015 and 2016), and shall be no less than the 50th percentile of the Peer Benchmark Companies of 2017;
 - (b) the year on year growth rate of the net profit attributable to the owner of the parent company of 2017 shall be not lower than the average of that of the Company of the past three years (i.e. 2014, 2015 and 2016), and shall be no less than the 50th percentile of the Peer Benchmark Companies in 2017; and
 - (c) the EVA shall meet the target as assigned by the SASAC to COSCO SHIPPING and subsequently assigned to the Company by COSCO SHIPPING.
- (ii) none of the following circumstances in relation to the Company having occurred:
 - (a) issue of the financial and accounting report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or disclaimer of opinion;
 - (b) issue of the financial report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or disclaimer of opinion with respect to internal control;
 - (c) conducting profit distribution which is not in compliance with laws and regulations, the Articles of Association or any public undertakings during the 36 months after listing on the Shanghai Stock Exchange;
 - (d) prohibition from implementation of share option incentive schemes under relevant laws and regulations; and
 - (e) other circumstances as determined by the CSRC.
- (iii) the Participant having obtained an assessment grade of “qualified” or above in his/her performance review for the financial year immediately preceding the grant of the Share Options, and none of the circumstances under which a person shall not become a Participant as set out in the section headed “Scope of the Participants” above in this circular having occurred.

(2) Conditions of Exercise

The following conditions must be satisfied before the Share Options become effective and exercisable by the Company and the Participants pursuant to the terms of the Share Option Incentive Scheme:

- (i) the Company having achieved the following performance targets for the financial year immediately preceding the respective exercise period, and none of the circumstances as stipulated in the relevant requirements of the SASAC and the CSRC that the Share Options shall not become effective having occurred:

Exercise period	Performance targets
Exercise period in respect of the first batch of the Share Options	<p>(a) the EOE for the preceding financial year shall be no less than 12.15% and the 75th percentile of the Peer Benchmark Companies;</p> <p>(b) the growth rate of the net profit attributable to the owners of the parent company for the preceding financial year shall be no less than 8% as compared to that of the financial year ended 31 December 2018; and</p> <p>(c) the EVA for the preceding financial year shall reach the target assigned by COSCO SHIPPING and the change in EVA (ΔEVA) is greater than 0.</p>
Second exercise period in respect of the second batch of the Share Options	<p>(a) the EOE for the preceding financial year shall be no less than 13% and the 75th percentile of the Peer Benchmark Companies;</p> <p>(b) the growth rate of the net profit attributable to the owners of the parent company for the preceding financial year shall be no less than 18% as compared to that of the financial year ended 31 December 2018; and</p> <p>(c) the EVA for the preceding financial year shall reach the target assigned by COSCO SHIPPING and the change in EVA (ΔEVA) is greater than 0.</p>

- Third exercise period in respect of the third batch of the Share Options
- (a) the EOE for the preceding financial year shall be no less than 14% and the 75th percentile of the Peer Benchmark Companies;
 - (b) the growth rate of the net profit attributable to the owners of the parent company for the preceding financial year shall be no less than 30% as compared to that of the financial year ended 31 December 2018; and
 - (c) the EVA for the preceding financial year shall reach the target assigned by COSCO SHIPPING and the change in EVA (Δ EVA) is greater than 0.
- (ii) the Participant(s) (including the Participants(s) of the Reserved Share Options) having obtained an assessment grade of “qualified” or above in his/her performance appraisal for the financial year immediately preceding the exercise of the Share Options conducted pursuant to the Appraisal Measures, and none of the circumstances under which a person shall not become a Participant as set out in the section headed “II. Basis of determining the Participants on the scope of the Participants — (2) Scope of the Participants” above in this appendix having occurred.

If the Conditions of Exercise in respect of the relevant exercise period are not satisfied, the relevant batch of the Share Options shall lapse and be cancelled by the Company.

VIII. Methods and procedures for adjustments to the number and the exercise price of the Share Options

(1) *Adjustments to the number of the Share Options*

In the event that any of the adjustment events (including but not limited to conversion of capital reserve to share capital, bonus issue, sub-division or consolidation of Shares or rights issue of the Company) takes place after the date of the announcement of the Share Option Incentive Scheme on the Shanghai Stock Exchange and before the exercise of the Share Options, the number of the Share Options shall be adjusted accordingly and in the following manner:

- (i) Conversion of capital reserve to share capital, bonus issue and sub-division of Shares

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

where,

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

- (b) n is the ratio of increase per Share resulting from the conversion of capital reserve to share capital, bonus issue and sub-division of Shares, which represents the number of Shares being issued upon conversion of capital reserve to share capital, bonus issue or sub-division of Shares for each Share; and

- (c) Q is the number of the Share Options after the adjustment.

(ii) Consolidation of Shares

$$Q = Q_0 \times n$$

where,

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

- (b) n is the ratio of consolidation of Shares, which represents the number of Shares after consolidation for each Share; and

- (c) Q is the number of the Share Options after the adjustment.

(iii) Rights issue

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

where,

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

- (b) P_1 is the closing price as at the record date;

- (c) P_2 is the subscription price of the rights issue;

- (d) n is the basis of the rights issue, which represents the ratio of the number of Shares to be issued under the rights issue to the total issued share capital of the Company before the rights issue; and

- (e) Q is the number of the Share Options after adjustment.

(iv) Other issuance of Shares

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

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

In the event that any of the adjustment events (including but not limited to distribution of dividends, conversion of capital reserve to share capital, bonus issue, sub-division or consolidation of Shares or rights issue of the Company) after the date of the announcement of the Share Option Incentive Scheme on the Shanghai Stock Exchange and before the exercise of the Share Options, the exercise price of the Share Options shall be adjusted accordingly and in the following manner:

- (i) Conversion of capital reserve to share capital, bonus issue and sub-division of Shares

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

where,

- (a) P_0 is the exercise price of the Share Options before the adjustment;
- (b) n is the ratio of increase per Share resulting from the conversion of capital reserve to share capital, bonus issue and sub-division of Shares; and
- (c) P is the exercise price of Share Options after the adjustment.

- (ii) Consolidation of Shares

$$P = P_0 \div n$$

where,

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

- (iii) Distribution of dividends

$$P = P_0 - V$$

where,

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

(iv) Rights issue

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

where,

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

(v) Other issuance of Shares

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

(3) ***Adjustment procedures***

The Board shall be authorized by the Shareholders at the Shareholders' Meetings to adjust the number and the exercise price of the Share Options under the Share Option Incentive Scheme upon the occurrence of any of the abovementioned adjustment events. After the adjustment is made, the Board shall publish an announcement and notify the Participants in respect of the adjustment in a timely manner.

Any adjustment to the number and exercise price of the Share Options must give the Participants the same proportion of the equity capital as that to which the Participant was previously entitled, but no such adjustments may be made to the extent that an A Share would be issued at less than its par value. The issue of A Shares as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on the conversion of capital reserve to share capital and bonus issue, an independent financial adviser or the Company's auditors must confirm to the Directors in writing that the adjustments satisfy the relevant requirements under the Listing Rules.

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

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

IX. Arrangements for Special Circumstances the Share Option Incentive Scheme

(1) *Circumstances in relation to the Participants*

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

- (e) his/her service contract having been terminated by the Company or there have been a change of job position, as a result of his/her unfitness for the position, failure to pass performance appraisal, violation of laws, violation of professional ethics, leakage of confidential information of the Company, dereliction of duty, malfeasance or other acts which prejudice the interest or reputation of the Company;
 - (f) becoming an independent Director, a Supervisor or holding other positions thus cannot hold Shares or Share Options;
 - (g) other circumstances which materially violate relevant rules of the Company or materially prejudice the interest of the Company as determined by the Board;
 - (h) having been prohibited from participating in share option incentive schemes of listed companies under relevant laws, administrative regulations or departmental rules; or
 - (i) other circumstances as determined by the Remuneration Committee.
- (iii) Upon the occurrence of any of the following circumstances in relation to a Participant, all his/her Share Options which are exercisable but not yet exercised shall remain exercisable and shall be exercised within six months after the occurrence of such circumstance(s), and his/her Share Options which are not exercisable shall be cancelled:
- (a) the Company proposes to terminate or release the employment relationship with the Participant due to objective reasons;
 - (b) the Company proposes not to renew the labor contract or employment contract when it expires;
 - (c) the Participant retires pursuant to PRC laws and the rules of the Company, and he/she has worked for more than half a year and passed the personal performance review in the year he/she retires;
 - (d) upon death of a Participant, his/her Share Options which are exercisable but not exercised shall retain the right to exercise and shall be exercised within six months by his/her legal successors, and his/her Share Options which are not exercisable shall be cancelled;
 - (e) the Participant does not hold position(s) in COSCO SHIPPING and its subsidiaries due to special assignments, and he/she has worked in the Company, its subsidiaries and investees for more than three months and passed the personal performance appraisal in that year; and
 - (f) other circumstances as determined by the Remuneration Committee.

- (iv) Upon the occurrence of any of the following circumstances in relation to a Participant, all his/her Share Options which are exercisable but not yet exercised shall cease to be exercisable:
 - (a) where the Participant unilaterally resigns from his/her position entitling him/her to be a Participant; and
 - (b) where the employment relationship is terminated by the Company due to personal reasons of the Participant.
- (v) Upon the occurrence of any of the following circumstances in relation to a Participant, all his/her Share Options which are granted shall remain valid and exercisable in accordance with the terms of the Share Option Incentive Scheme:
 - (a) the Participant having changed his/her positions but still holding position(s) in the Company, its subsidiaries and investees;
 - (b) incapacity of the Participant due to injuries sustained as a result of performance of his/her duties; and
 - (c) the Participant having been transferred to COSCO SHIPPING or its subsidiaries but still being responsible to follow up with the previous work before the job transfer;

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

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

(2) *Circumstances of the Company*

- (i) Upon the occurrence of any of the following in relation to the Company, the Board shall determine, in accordance with the magnitude of changes in the relevant conditions, whether to continue, amend, suspend or terminate the Share Option Incentive Scheme (excluding the circumstances where the relevant rights shall be exercised by the general meetings of the Company pursuant to the applicable requirements under laws, administrative regulations, departmental rules and regulatory documents (including but not limited to the Listing Rules)), but the Board shall not determine to accelerate the effectiveness of the Share Option Incentive Scheme:
 - (a) change of control of the Company;

- (b) merger or demerger of the Company; or
 - (c) other material changes of the Company.
- (ii) Upon the occurrence of any of the following in relation to the Company, the Share Option Incentive Scheme shall be terminated. Share Options which are exercisable but not yet exercised by the Participants shall cease to be exercisable and the Share Options which are not yet exercisable shall be cancelled by the Company:
- (a) issue of the financial report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or disclaimer of opinion;
 - (b) issue of the financial report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or disclaimer of an opinion with respect to internal control;
 - (c) prohibition from implementation of share option incentive schemes by laws, administrative regulations or departmental rules; or
 - (d) any circumstances as determined by the CSRC.

X. Amendments and Termination of the Share Option Incentive Scheme

(1) *Amendments to the Share Option Incentive Scheme*

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

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

If the Company proposes any amendments to the Share Option Incentive Scheme after the approval of the Share Option Incentive Scheme by the Shareholders at the Shareholders' Meetings, an

announcement shall be made in a timely manner and the proposed amendments shall be submitted to the Shareholders' Meetings for consideration (excluding the matters to be resolved by the Board as authorized by the Shareholders at the Shareholders' Meetings), and the proposed amendments shall not:

- (i) result in acceleration in the exercise of the Share Options; or
- (ii) reduce the exercise price or price of grant of the Share Options.

The independent non-executive Directors and the Supervisory Committee shall express independent opinion(s) on whether the amended Share Option Incentive Scheme is beneficial to the sustainable development of the Company and whether there exist circumstances where the interests of the Company and the Shareholders as a whole would be prejudiced. Legal advisers to the Company shall provide an opinion on whether the amended Share Option Incentive Scheme is in compliance with relevant laws and regulations and whether there exist circumstances where the interests of the Company and the Shareholders as a whole would be prejudiced.

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

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

The Share Option Incentive Scheme shall automatically terminate after 10 years from the date on which the Share Option Incentive Scheme is approved at the Shareholders' Meetings.

During the Validity Period, the Board may, if it considers necessary, propose a resolution to the Shareholders' Meetings for the early termination of the Share Option Incentive Scheme. Unless otherwise required, the Share Options granted prior to the termination of the Share Option Incentive Scheme shall remain valid and exercisable in accordance with the terms of the Share Option Incentive Scheme.

XI. Accounting Treatment of the Share Option Incentive Scheme and Impact on the Operating Results of the Company

(1) *Fair Value of the Share Options*

According to the relevant requirements regarding the recognition of fair value under *Enterprise Accounting Standard No.11—Share-based Payment* issued by the Ministry of Finance of the PRC on 15 February 2006 and *Enterprise Accounting Standard No.22—Recognition and Measurement of Financial Instruments* as amended and issued by the Ministry of Finance of the PRC on 31 March

2017, the Company shall select an appropriate valuation model to determine the fair value of the Share Options. The Company has selected the Black-Scholes Model and the Latest Practicable Date as the benchmark date to determine the fair value of the Share Options.

Based on the preliminary calculation by the Company on the Latest Practicable Date, the fair value of each Share Option is RMB2.38, and the aggregate value of the 218,236,900 Share Options is RMB519,403,822. The following sets out details of the reference factors:

Market price of the A Shares	:	RMB5.10, being the closing price of the A Shares as traded on the Shanghai Stock Exchange on the Latest Practicable Date
Exercise price of the Share Options	:	RMB4.10, being the exercise price determined by the Board pursuant to the requirements of the CSRC and the SASAC
Expected life	:	3.83 years, being the weighted expected effective period
Risk-free yield	:	2.93%, being the 3.83-year yield to maturity of the national bond rate
Expected volatility	:	46.67%, based on the historical volatility rate of the Company
Expected rate of dividend	:	0% ⁽¹⁾

Notes:

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

(2) *Amortization Method of the Share Options and Impact on the Operating Results of the Company*

The expenses of the Share Options incurred by the Company shall be amortized during the vesting period of the Share Options and the period commencing from the expiry of the vesting period and ending on the first day of the exercise period in respect of the relevant batch of the Share Options.

Based on the preliminary calculation, the amortization costs of the Proposed Grant (including the Proposed Grant of the Reserved Share Options) are approximately RMB519,403,822.

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

The following sets forth the impact of the amortization costs of the Share Options on the operating results of the Company during the relevant periods according to the PRC Accounting Standards:

	2019	2020	2021	2022
Annual amortization amount (<i>RMB</i>)	186,785,789	187,297,530	101,201,397	44,119,106
Percentage of the revenues of 2017	0.21%	0.21%	0.11%	0.05%
Percentage of the net profits attributable to the parent's shareholders (after deduction of extraordinary items) of 2017	19.66%	19.71%	10.65%	4.64%

The final amortization costs of the Share Options will be determined based on reference factors such as the Date of Grant determined by the Board and the actual volatility rate, and shall be confirmed by the auditors of the Company. The costs of the Share Options incurred by the Company will be recorded as expenses in recurring profits and losses of the Company's financial statements. Assuming there is no material change to the operating results of the Company after the adoption of the Share Option Incentive Scheme, the Company is of the view that the amortization costs of the Share Options will not have material impact on the net profits of the Company for the relevant financial years during the Validity Period.

XII. Proposed Grant under the Share Option Incentive Scheme

Pursuant to the Share Option Incentive Scheme, the Board proposed to grant Shares Options to 475 Participants (excluding the Participants of the Reserved Share Options), which comprises nine Directors and senior management members of the Company, 13 senior management members of the subsidiaries of the Company and 453 other key business and technical personnel of the Group.

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

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

(1) *Proposed Grant to the Directors and senior management of the Company (excluding the Reserved Share Options)*

No.	Name of the Participant	Position of the Participant	Number of Share Options to be granted	Percentage of the number of Share Options to be granted to the Participant to	Percentage of the number of the underlying A Shares to the total issued A share capital of the Company as at the Latest Practicable Date	Percentage of the number of the underlying A Shares to the total issued share capital of the Company as at the Latest Practicable Date
				the total number of Share Options		
1	Wang Haimin	Executive Director, General manager	936,000	0.43%	0.010%	0.008%
2	Chen Xiang	Deputy general manager	754,000	0.35%	0.008%	0.006%
3	Yao Erxin	Deputy general manager	754,000	0.35%	0.008%	0.006%
4	Zhu Jiandong	Deputy general manager	754,000	0.35%	0.008%	0.006%
5	Zhang Mingwen	Chief financial officer (總會計師)	754,000	0.35%	0.008%	0.006%
6	Xiao Qihao	Deputy general manager	754,000	0.35%	0.008%	0.006%
7	Chen Shuai	Deputy general manager	754,000	0.35%	0.008%	0.006%
8	Guo Huawei	Secretary to the Board	573,000	0.26%	0.006%	0.005%
9	Liu Nan	Secretary of the Disciplinary Committee of the Company	573,000	0.26%	0.006%	0.005%

APPENDIX I

SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE OPTION INCENTIVE SCHEME

(2) *Proposed Grant to all the Participants*

Participant(s)	Number of Participants	Average number of Share Options to be granted to each Participant	Total Number of Share Options to be granted	Percentage of the number of Share Options to be granted Participant to the total number of Share Options	Percentage of the number of the underlying A Shares to the total issued A share capital of the Company at the Latest Practicable Date	Percentage of the number of the underlying A Shares to the total issued share capital of the Company at the Latest Practicable Date
Share Options (excluding the Reserved Share Options)						
Directors and senior management of the Company ⁽¹⁾	9	734,000	6,606,000	3.03%	0.07%	0.05%
Senior management personnel of the subsidiaries of the Company	13	782,000	10,166,000	4.66%	0.11%	0.08%
Key business personnel and management personnel of the Company	453	396,559	179,641,200	82.31%	1.86%	1.47%
Sub-total	475	413,501	196,413,200	90.00%	2.03%	1.60%
Reserved Share Options ⁽²⁾						
			21,823,700	10.00%	0.23%	0.18%
Total			218,236,900	100.00%	2.25%	1.78%

Notes:

- (1) For more details of the Proposed Grant to the Directors and senior management of the Company, please refer to the table headed “Proposed Grant to the Directors and Senior Management of the Company (excluding the Reserved Share Options)” above.
- (2) Participants eligible for the Reserved Share Options shall be determined by the Board within 12 months after the Share Option Incentive Scheme is considered and approved by the Shareholders at the Shareholders’ Meetings with reference to the basis for determination of the grant of the Share Options under the Share Option Incentive Scheme.

In order to ensure the implementation of the Share Option Incentive Scheme and achieve the purposes of protecting Shareholders' rights, promoting development of the Company and effectively incentivize employees of the Company, the Appraisal Measures are formulated in accordance with the Company Law, the Securities Law, the Trial Measures for Implementing the Share Incentive System by the State-Controlled Listed Companies of the PRC (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配〔2006〕175號)), the Notice on Issues concerning Regulating the Implementation of the Share Incentive System by the State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號)), the Administrative Measures, the Listing Rules as well as other relevant laws, administrative regulations, the Share Option Incentive Scheme of COSCO SHIPPING Holdings Co., Ltd. (draft)) (《中遠海運控股股份有限公司股票期權激勵計劃(草案)》) and the Articles of Association.

A. General Provisions

(I) Purposes

The purposes of the Appraisal Measures are to, among other things, further refine the corporate governance structure of the Company, establish the incentive systems of the Company that align the obligations, powers and interests, improve the mid- to long term incentive mechanism of the Company that combines corporate incentives and restrictions, and fully incentivize the management and key technical personnel and core employees of the Company, facilitate the encouragement of the Participants to work with integrity and diligence, ensure the realization of development strategies and business objectives of the Company, and promote the sustainable development of the Company. Meanwhile, the Appraisal Measures provides an assessment basis for implementation of the Share Option Incentive Scheme, such as the grant and the exercise of Share Options.

(II) Principles

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

(III) Scope of the Appraised Targets

The Appraisal Measures is applicable to the Participants, including all the Directors, senior management and key management and technical personnel of the Company who have direct impact on the operational results and continuous development of the Company and have accepted the Grant of the Share Options.

B. Responsibilities of and Work Allocation for the Appraisal

- (I) The Board is responsible for formulating and amending the Appraisal Measures, and shall authorize the Remuneration Committee to take responsibilities for the appraisal.
- (II) The Remuneration Committee is responsible for leading and reviewing the appraisal.
- (III) The Human Resources Department is responsible for the implementation of the appraisal, and the Remuneration Committee shall guide and supervise the appraisal process.
- (IV) The Strategy and Development Department, Finance Department and other relevant departments of the Company are responsible for the collection and provision of the relevant appraisal data, and are responsible for the authenticity and reliability of the appraisal data.

C. Appraisal System**(I) Appraisal contents**

The Company advocates a high-performance-oriented culture, objectively evaluates the work performance and behavior of the appraised targets, and promotes the continuous improvement and enhancement of performance of the Company and the appraised targets.

(II) Appraisal items and indicators

Completion status of various performance indicators in the relevant year are all calculated based on figures from the relevant financial statements of the Company prepared and audited according to the PRC Accounting Standards.

(1) Appraisal of the Company's performance**(i) Appraisal conditions at the time of grant:**

- (a) the EOE for 2017 shall be not lower than the average EOE in the past three years, and shall be no less than the 50th percentile of the Peer Benchmark Companies;
- (b) the year on year growth rate of the net profit attributable to the owner of the parent company of 2017 shall be no lower than the average of that of the Company of the past three years, and no less than 50th percentile of the Peer Benchmark Companies; and
- (c) the EVA shall meet the target as assigned by the SASAC to COSCO SHIPPING and subsequently delegated to the Company.

APPENDIX II**APPRAISAL MEASURES ON THE SHARE OPTION INCENTIVE SCHEME**

(ii) Performance targets under the Conditions of Exercise:

The EOE of the Company shall be no less than the performance targets set out in the table below or 75th percentile of Peer Benchmark Companies of the same period:

Exercise period in respect of the first batch	Exercise period in respect of the second batch	Exercise period in respect of the third batch
The EOE of the Company for the preceding financial year shall be no less than 12.15% when the first batch of the Share Options becomes exercisable.	The EOE of the Company for the preceding financial year shall be no less than 13% when the second batch of the Share Options becomes exercisable.	The EOE of the Company for the preceding financial year shall be no less than 14% when the third batch of the Share Options becomes exercisable.

The growth rate of the net profit attributable to the owners of the parent company of the Company as compared to the benchmark period shall be no less than the performance targets set out in the table below or 75th percentile of Peer Benchmark Companies of the same period:

Exercise period in respect of the first batch	Exercise period in respect of the second batch	Exercise period in respect of the third batch
The growth rate of the net profit attributable to the owners of the parent company in the preceding financial year shall be no less than 8% as compared to that of 2018 when the first batch of the Share Options becomes exercisable.	The growth rate of the net profit attributable to the owners of the parent company in the preceding financial year shall be no less than 18% as compared to that of 2018 when the second batch of the Share Options becomes exercisable.	The growth rate of the net profit attributable to the owners of the parent company in the preceding financial year shall be no less than 30% as compared to that of 2018 when the third batch of the Share Options becomes exercisable.

The Company shall meet the EVA appraisal targets as stated in the following table:

Exercise period in respect of the first batch	Exercise period in respect of the second batch	Exercise period in respect of the third batch
The EVA for the preceding financial year shall reach the target assigned by COSCO SHIPPING and the change in EVA (Δ EVA) is greater than 0 when the first batch of the Share Options becomes exercisable.	The EVA for the preceding financial year shall reach the target assigned by COSCO SHIPPING and the change in EVA (Δ EVA) is greater than 0 when the second batch of the Share Options becomes exercisable.	When this batch becomes effective, the EVA for the preceding financial year shall reach the target assigned by COSCO SHIPPING and the change in EVA (Δ EVA) is greater than 0 when the third batch of the Share Options becomes exercisable.

OOIL has been consolidated into the Company's consolidated financial statements since 1 July 2018. In order to maintain consistency between the appraisal period and the benchmark period, in the calculation of the change in EVA (Δ EVA) for 2019, it is assumed that OOIL has been included in the scope of consolidation since 1 January 2018.

To encourage the Company to reduce leverage and liabilities, in the event the Company or other entities in the scope of consolidation of the Company conduct activities such as issuance of shares and convertible bonds which will have impact on the EOE and EVA of the Company during the Validity Period, the impact of such activities shall not be taken into account when calculating the EOE and EVA of the Company when each batch of the Share Options becomes exercisable, or the target EOE and EVA of the Company specified in the appraisal conditions of the relevant year shall be adjusted accordingly. The adjustment plan shall be implemented after consideration and approval by the Board according to the specific circumstances.

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

If the performance of the Company does not fulfill the abovementioned conditions, all the Share Options to be granted to the Participants which shall become exercisable in the relevant year shall lapse and be cancelled by the Company.

(2) Peer Benchmark Companies

No.	Stock code	Stock short name
1	MAERSK-A/B.CO	Maersk
2	HLAG.DE	Hapag-Lloyd
3	9104.TO	Mitsui OSK Lines
4	9107.TO	Kawasaki Kisen Kaisha
5	2603.TW	Evergreen
6	011200.KS	Hyundai Merchant Marine
7	2609.TW	Yang Ming
8	0368.HK ^(Note)	Sinotrans Shipping ^(Note)
9	2343.HK	Pacific Basin Shipping
10	1145.HK	Courage Investment
11	0137.HK	Jinhui Holdings
12	0560.HK	Chu Kong Shipping
13	0598.HK	Sinotrans
14	SB.N	SAFEBULKERS

Note: According to the announcement of Sinotrans Shipping Ltd. dated 15 January 2019, the listing of the shares of Sinotrans Shipping Ltd. on the Hong Kong Stock Exchange was withdrawn on 16 January 2019.

If there is any material change to the principal businesses of the abovementioned Peer Benchmark Companies so that they are no longer comparable to the Company, the Board will remove

or replace the relevant Peer Benchmark Companies as authorized by the Shareholders at the Shareholders' Meetings. In the event that the abovementioned Peer Benchmark Companies issue shares as consideration of acquisition of assets during the Validity Period, the impact of such acquisition on the calculation of the value of the relevant indicators of the Peer Benchmark Companies shall not be taken into account.

(3) Appraisal in respect of the Participants' performance

(i) Senior management of the Company

Pursuant to the Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd. (《中遠海運控股股份有限公司企業負責人薪酬管理辦法》), the annual appraisal results of the officers in charge are calculated based on the corporate performance appraisal and the individual performance appraisal. The corporate performance appraisal is determined according to the appraisal results in the operational responsibility report of the Company, while the results of individual performance appraisal are related to the duties of the officers in charge and relevant results achieved. The results of individual performance appraisal of the senior management members shall be determined by the Board.

(ii) Employees in the headquarter of the Company

Pursuant to the Provisional Measures for Appraisal of Employees of COSCO SHIPPING Holdings Co., Ltd. (《中遠海運控股股份有限公司員工考核暫行辦法》), the employees at the headquarter shall be appraised annually, and the appraisal shall be based on the basic qualities of the employees and the annual work completed to comprehensively determine the appraisal results of the Participants.

(iii) Other Participants

The appraisal shall be carried out by the entities in which the Participants work, and the Company shall be responsible for collecting the appraisal results of the Participants.

(III) Appraisal results

The appraisal results are categorized into the following 4 grades:

Appraisal grades

First grade
Second grade
Third grade
Fourth grade

Appraisal results

Excellent
Competent
Qualified
Unqualified

(IV) Appraisal process

- (1) An appraisal cycle shall be a full accounting year.
- (2) Relevant departments of the Company (including the Human Resources Department) shall be responsible for specific implementation of the performance appraisal by conducting appraisal based on the status of completion of annual work performance targets and the performance of the appraised persons and form the annual performance appraisal results.
- (3) On the basis of the performance appraisal process, the Company shall implement incentive and punishment measures based on the results of performance appraisal to improve the incentive appraisal process.

(V) Appraisal results management

- (1) The appraisal results will affect the proportion of the Share Options of the Participants which can become exercisable, details of which are as follows:

Individual performance appraisal grades	Percentage of Share Options which can become exercisable in the batch of Share Options which will become effective
Qualified or above	100%
Unqualified	0%

Pursuant to the terms of the Share Option Incentive Scheme, one of the Conditions of Grant is that the Participants have obtained an appraisal grade of “qualified” and above in his/her performance appraisal for 2017.

If the annual performance appraisal result of a Participant for a certain exercise period is “qualified” or above, his/her current performance fulfils the Condition of Exercise, and upon fulfilment of the other Conditions of Exercise, all his/her Share Options in respect of the relevant period can become exercisable. If a Participant’s annual performance appraisal is “unqualified”, the Condition of Exercise is not fulfilled and his/her Share Options in respect of the relevant period shall not become exercisable.

- (2) Correction of appraisal indicators and results

If the work performance of the Participants is affected by major *force majeure* factors or special reasons during the appraisal period, the Remuneration Committee may amend the appraisal indicators and appraisal results which are significantly affected.

(VI) Feedback and complaint of the appraisal results

- (1) The Company shall provide feedback on appraisal results to the Participants after the completion of the appraisals.

- (2) Where a Participant has a major objection to the appraisal results during the appraisal period, he/she may file a complaint with the Human Resources Department of the Company within 15 days after he/she is informed of the appraisal results. The Human Resources Department shall conduct investigation timely, put forward handling opinions, and give feedback to the complainant.
- (3) Responsibility of performance management related personnel
 - (i) An appraiser who does not objectively evaluate an appraised person shall be warned. If the circumstances are serious, the appraisers shall be disqualified;
 - (ii) The person in charge of each department is responsible for the performance appraisal in the department and shall be responsible for missed appraisals (if any).

(VII) Appraisal records

- (1) The Human Resources Department shall keep the relevant appraisal records in the form of electronic document for a period of three years.
- (2) To ensure the effectiveness of performance incentives, the performance appraisal records are not allowed to be altered. The amendments to the appraisal results or new appraisal record shall be signed by the appraised persons.
- (3) The performance appraisal results shall be archived and maintained as confidential information. The Human Resources Department is responsible for the unified destruction thereof after three years from the termination of the Share Option Incentive Scheme.

D. Supplementary provisions

The measures shall take effect from the date of obtaining approval at the Shareholders' Meetings and the Board shall be responsible for the interpretation and revision hereof.

The Company has specifically formulated the “Share Option Incentive Scheme of COSCO SHIPPING Holdings Co., Ltd. (Draft) (《中遠海運控股股份有限公司股票期權激勵計劃(草案)》)” in order to establish an incentive mechanism closely linked to the performance and long-term strategies of the Company, improve the overall compensation structure system and lay a competitive advantage in human resources for the long-term sustainable development of the Company’s performance. To ensure the smooth implementation of the Share Option Incentive Scheme, the Company hereby formulates the “Management Measures on Share Option Incentive Scheme (《股票期權激勵計劃管理辦法》)” in accordance with the Company Law and other laws and regulations and the Articles of Association in combination with the internal management system of the Company.

Chapter I General Provisions

Article 1 Purposes

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

Article 2 Principles

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

Article 3 Main management organizations and departments

The management organizations of the Company’s Share Option Incentive Scheme include the Shareholders’ Meetings, the Board and the Remuneration Committee. The Supervisory Committee is the supervisory body of the Share Option Incentive Scheme. The executive departments for matters relating to the Share Option Incentive Scheme include: the Board /general manager’s office, Human Resources Department, Finance Department, Legal and Risk Management Department, Securities Affairs Department, Supervision and Audit Department, etc.

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

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

- (I) The Shareholders' Meetings, as the highest authority of the Company, are responsible for considering and approving the implementation, revision and termination of the Share Option Incentive Scheme.
- (II) The Board is the execution and management body of the Share Option Incentive Scheme and is responsible for (i) reviewing the Share Option Incentive Scheme formulated and amended by the Remuneration Committee and submitting the same to the Shareholders' Meeting for approval and granting the Share Options to the eligible Participants; (ii) reviewing the exercisability and the exercise of the Share Options in accordance with arrangement in relation to the exercisability and performance requirements; (iii) reviewing the adjustment arrangement to the exercise price and number of Share Options granted; and (iv) reviewing other necessary matters required for the implementation of the Share Option Incentive Scheme.
- (III) The Remuneration Committee, as authorized by the Board, is responsible for formulating the Share Option Incentive Scheme, considering the of Conditions of Exercise for Share Options granted, formulating and revising the Appraisal Measures (《考核辦法》) and the Management Measures, and reporting the same to the Board and the Shareholders' Meetings for approval.

Article 5 Supervisory body of the Share Option Incentive Scheme

The Supervisory Committee is the supervisory body of the Share Option Incentive Scheme, responsible for verifying the list of Participants and monitoring whether the implementation of the Share Option Incentive Scheme is in compliance with the relevant laws, administrative regulations, departmental rules, regulatory documents and the rules of the stock exchanges, including the organizing and managing work of the Remuneration Committee, conducting the performance appraisal of the Company and the Participants, examining whether the Share Option Incentive Scheme is executed in accordance with internal procedures, etc., and verifying the list of the Participants (authorized persons, qualification for the grant and quantity to be granted).

Article 6 Executive body of the Share Option Incentive Scheme

The executive organizations of the Share Option Incentive Scheme include, among others, the Board office/general manager's office, the Human Resources Department, the Finance Department, the Legal and Risk Management Department, the Securities Affairs Department, the Supervision and Audit Department, whose main responsibilities are as follows:

(I) The Board office/general manager's office

1. the Board office/general manager's office shall be responsible for proposing the Date of Grant to the Board, and calculating the exercise price of the Share Options on the Date of Grant as determined by the resolution of the Board;
2. the Board office/general manager's office shall be responsible for formulating the adjustment to the exercise price and number of the Share Options granted under the Share Option Incentive Scheme;
3. the Board office/general manager's office shall be responsible for organizing the Remuneration Committee's meetings, the Board meetings and the Shareholders' Meetings to review the Share Option Incentive Scheme and related resolutions;
4. the Board office/general manager's office shall be responsible for organizing daily communication and consultation of the Participants.

(II) Human Resources Department

1. formulating the Share Option Incentive Scheme, and formulating key areas such as the scope of the Participants, the number of Share Options, the exercise arrangements, the Conditions of Grant and the Conditions of Exercise under the guidance of the Remuneration Committee;
2. the daily management of the Share Option Incentive Scheme, and organizing the implementation of the Grant and the exercise of the Share Options;
3. reviewing the eligibility of the Participants, the Conditions of Exercise and the number of the Share Options becoming exercisable, and responsible for arranging signing the grant documents;
4. summarizing the annual performance appraisal results of the Participants;
5. organizing the exercise of the Share Options by the Participants;
6. counting and checking the number of the Share Options which become exercisable, the number of the Share Options lapsed, the number of the Share Options exercised and the actual gains of the Participants;

7. the accounting management, recording and counting the Grant, exercisability, amendments, lapse and exercise of the Share Options;
8. reporting the implementation progress of Share Option Incentive Scheme to the Remuneration Committee on a regular basis;
9. notifying the Securities Affairs Department in respect of the implementation of the Share Option Incentive Scheme; and
10. maintenance of all files and documents relating to the Share Option Incentive Scheme and other archive management, the daily management and maintenance of the Share Option Incentive Scheme, including (among other things) drafting relevant documents of the Share Option Incentive Scheme, the arrangements of the grant and the maintenance of related files and documents.

(III) Finance Department

1. auditing the actual achievements of the annual performance targets of the Company, and submitting the same to the Board office/general manager's office;
2. regular reports on valuation of the granted Share Options and related accounting treatment of the Company after the grant;
3. assisting the Human Resources Department in calculating the actual gains of the Participants from exercising the Share Options;
4. payment of the actual gains of the Participants from the Share Option Incentive Scheme and related accounting treatment; and
5. withholding and remitting of the individual income tax of the Participants.

(IV) Legal and Risk Management Department

The Legal and Risk Management Department is responsible for interpreting and advising on legal issues relating to the Share Option Incentive Scheme, and reviewing, maintaining and managing relevant legal documents.

(V) Securities Affairs Department

The Securities Affairs Department is responsible for:

1. communicating with the capital market, the Shareholders and the media on implementation of the Share Option Incentive Scheme; and

2. reporting to the securities regulatory authorities on implementation of the Share Option Incentive Scheme, and preparing information disclosure documents in accordance with the relevant regulatory requirements.

(VI) Supervision and Audit Department

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

(VII) Strategic Development Department:

The Strategic Development Department is responsible for compiling statistics of the actual value achieved in annual performance indicators of the Peer Benchmark Companies, and analyzing and evaluating the satisfaction of performance conditions and Conditions of Exercise.

Chapter III Implementation Procedure for the Share Option Incentive Scheme**Article 7 Formulation and approval procedures for the Share Option Incentive Scheme**

- (I) The Remuneration Committee shall be responsible for formulating the draft of the Share Option Incentive Scheme.
- (II) The Board shall review the draft of the Share Option Incentive Scheme, and the Directors who are the Participants shall abstain from voting.
- (III) Independent non-executive Directors and the Supervisory Committee shall issue independent opinions on whether the draft of the Share Option Incentive Scheme is beneficial to the sustainable development of the Company and whether there is any obvious impairment to the interests of the Company and the Shareholders as a whole. If a Participant is a Director, the chief executive, a substantial Shareholder or their respective associates (as defined in the Listing Rules), the proposed grant shall first be approved by independent non-executive Directors.
- (IV) The Supervisory Committee shall verify the list of Participants (including the Participants, eligibility and number of the Share Options to be granted).
- (V) The Company shall conduct a self-examination on whether any insider dealing of the Shares and their derivative products within 6 months before publication of the announcement of the draft of the Share Option Incentive Scheme on the website of the Shanghai Stock Exchange, indicating if any insider trading activities exist. If any insider trades in the Shares, he/she shall not be a Participant, except where the laws, administrative regulations and relevant judicial interpretations stipulate that it is not insider trading. If anyone leaks inside information which has caused insider trading, he/she shall not be a Participant.

- (VI) The Board shall announce the resolutions of the Board, the draft of the Share Option Incentive Scheme and the summary thereof, and the opinions of independent non-executive Directors within 2 trading days after the Board considers and approves the draft of the Share Option Incentive Scheme.
- (VII) The Company shall engage a legal adviser/independent financial advisor (if any) to issue a legal opinion/opinion letter in respect of the Share Option Incentive Scheme.
- (VIII) COSCO SHIPPING shall submit draft of the Share Option Incentive Scheme considered and approved by the Board to the SASAC for approval.
- (IX) After obtaining approval from the SASAC, the Company will issue notices to convene Shareholders' Meetings and announce the legal opinion concurrently.
- (X) The independent non-executive Directors shall solicit proxy voting rights from all Shareholders in respect of the relevant resolutions relating to the Share Option Incentive Scheme.
- (XI) Prior to the Shareholders' Meetings, the Company shall publish the name and position of the Participants internally on the Company's website or through other means for a period of not less than 10 days.
- (XII) The Supervisory Committee shall review the list of Participants and public opinions. The Company shall disclose the explanation of review and disclosure of the list of the Participants by the Supervisory Committee five days before the Shareholders consider the Share Option Incentive Scheme at the Shareholders' Meetings.
- (XIII) The Shareholders will consider the Share Option Incentive Scheme at the Shareholders' Meetings, and the Supervisory Committee shall explain the verification result of the list of Participants at the Shareholders' Meetings.
- (XIV) During the voting process of the Share Option Incentive Scheme at the Shareholders' Meetings, the Company shall provide the Internet channel for voting. The Share Option Incentive Scheme is subject to approval by the Shareholders at the Shareholders' Meetings by passing of resolutions by more than two-thirds of the votes held by the Shareholders present at the Shareholders' Meetings.
- (XV) The Share Option Incentive Scheme can be implemented immediately after consideration and approval by the Shareholders at the Shareholders' Meetings. The Board will handle the granting and registration of Share Options according to the authorization by the Shareholders at the Shareholders' Meetings.

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

- (I) Nomination: In accordance with the Share Option Incentive Scheme and the Company's business development priorities, the Human Resources Department shall preliminarily propose the scope of the Participants for consideration and review by the Remuneration Committee;

- (II) Determination: The Board shall determine the list of Participants in accordance with the review results of the Remuneration Committee;
- (III) Verification: The Supervisory Committee shall verify the list of Participants in accordance with the scope and conditions of the Share Option Incentive Scheme;
- (IV) Amount of the Share Options to be granted: the number of the Participants and the number of Share Options to be granted to each Participant shall be determined by the Board in accordance with the relevant policies and regulations of securities regulatory authorities and the SASAC, and based on the operating status of the Company, the positions and performance appraisal results of individual employees.

Article 9 Procedures for the Grant of the Share Options

- (I) The Remuneration Committee shall propose the plan for the Grant of Share Options;
- (II) The Board shall consider the plan for the Grant of Share Options and determine the Date of Grant and the exercise price pursuant to the Share Option Incentive Scheme;
- (III) The Supervisory Committee shall verify whether the list of the Participants for granting the Share Options is within the scope of the Participants as approved at the Shareholders' Meetings;
- (IV) The Company shall issue the "Notice of grant of Share Options" to the Participants on the Date of Grant, notifying the Participants of the date, the number and the exercise price, exercise arrangement and other relevant information of the Share Options granted;
- (V) The Participants shall sign the "Notice of grant of Share Options" within three working days and return one of the originals or email a scanned copy of the original to the Company;
- (VI) The Company shall enter into the "Share Options Grant Agreement" with the Participants under which the obligations of and the relationship between the parties are stipulated; The Participants are not required to make any payment as consideration for accepting the Share Options under the Share Option Incentive Scheme;
- (VII) The Company shall prepare a Share Option Incentive Scheme Management Register pursuant to according to the status of the signing of agreements by the Participants, containing the name of the Participants, the number of the Share Options to be grant, the Date of Grant, the number of the Share Options Grant Agreement and the "Notice of grant of Share Options";
- (VIII) The Board shall implement the grant of Share Options in accordance with the regulations of SASAC, CSRC, Shanghai Stock Exchange, Hong Kong Stock Exchange, China Securities Depository and Clearing Corporation Limited or other applicable regulatory authorities (if applicable), disclose the status of the grant of Share Options and report the status of the grant of Share Options to the SASAC through COSCO SHIPPING.

Article 10 Procedures for the exercise of Share Options

- (I) The Board shall consider whether the Conditions of Exercise are satisfied before the Date of Exercise, and the independent non-executive Directors and the Supervisory Committee shall provide clear opinion on the same issue. A PRC law firm shall issue legal opinions on whether the Conditions of Exercise are fulfilled;
- (II) The Remuneration Committee shall determine the actual ratio of the Share Options] which can become exercisable in the relevant batch based on the Company's performance appraisal results of the previous full fiscal year and the performance appraisal results of the Participants, and notify in writing the Participants of the number of actually effective Share Options and related terms. During the prescribed period prior to the Share Options become exercisable, the Company shall notify the Participants by email of the relevant information regarding the Date of Exercise and number of the Share Options which become exercisable;
- (III) The Company may provide options to the Participants who have satisfied the Conditions of Exercise to exercise his or her Share Options as he or she sees fit or on a one-off basis according to actual situations. For Participants who fail to satisfy the Conditions of Exercise, the Company shall cancel their Share Options in respect of the corresponding exercise period. The Company shall timely publish announcement(s) in respect of the implementation the Share Option Incentive Scheme.
- (IV) The Company shall make an application to the Shanghai Stock Exchange before any Share Option is exercised, and China Securities Depository and Clearing Corporation Limited will conduct registration procedure thereof upon confirmation by the Shanghai Stock Exchange.
- (V) The Participants may transfer the Shares upon the exercise of the Share Options, but the transfer of the Shares held by Directors and senior management shall comply with relevant laws and regulations and regulatory documents;
- (VI) The Company shall calculate the actual gains of the Share Options, and collect and tabulate the information on the number of exercised Share Options, and the number of remaining Share Options which are exercisable, and the exercise gains of the Participants;
- (VII) The Company shall calculate the individual income tax of the Participants based on the actual gains of the Share Options, complete the account transfer of the actual gains and the withholding and remitting of individual income tax;
- (VIII) The Company shall disclose in periodic reports the actual gains of Share Options and other relevant information as required by applicable PRC laws, regulations and securities regulatory rules;
- (IX) The Company shall file the exercise status of the Share Options through COSCO SHIPPING 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 resolutions if:

- (1) the certified auditor has issued an adverse or disclaimer audit opinion on annual financial statements;
- (2) the Supervisory Committee or the audit department of the Company has raised material objection to the performance or annual financial statements of the Company.

Chapter IV Daily Management Procedures for the Share Option Incentive Scheme

Article 11 Communication, consultation and complaint processing

The Human Resources Department shall be responsible for the update and release of communication materials, and consultation. The Legal and Risk Management Department shall be responsible for handling legal disputes and other issues.

Article 12 Notifications and tracking of changes in Employees' Share Options

The Human Resources Department shall be responsible for the release of relevant notices and the recording of changes in the employees' Share Options.

Article 13 Account processing

The Finance Department shall be responsible for the account processing and reconciliation of actions such as granting, exercise, tax, and fund collection and payment.

Article 14 Supervision, approval, information disclosure and filing

The Board office/general manager's office is responsible for the supervision and approval in respect of the Share Option Incentive Scheme. The Securities Affairs Department shall be responsible for information disclosure, filing and other relevant work.

Chapter V Internal Control Procedures for the Share Option Incentive Scheme

Article 15 System and process control procedures

- (I) The Board is the final interpretation and examination organization of the Share Option Incentive Scheme;
- (II) Departments will be established by functions at different levels, which are responsible for specific matters. Appraisal, qualification evaluation and other important issues will be conducted by different departments under mutual supervision.

Article 16 Control on Implementation Process

The validity and accuracy of the Share Option Incentive Scheme will be guaranteed mainly by training, consultation and complaint systems.

Chapter VI Supplementary Provisions

Article 17 The Management Measures shall take effect from the date of obtaining approval at the Shareholders' Meeting. The Board shall be responsible for the interpretation and amendment of the Management Measures.