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

If you have sold or otherwise transferred all your shares in **COSCO SHIPPING Ports Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

PROPOSED ADOPTION OF SHARE OPTION SCHEME

A letter from the Board is set out on pages 4 to 10 of this circular.

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 8 June 2018 at 11:00 a.m. is set out on pages N-1 to N-3 of this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 4 June 2018. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 4 June 2018.

18 May 2018

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “<http://ports.coscoshipping.com>” and Hong Kong Exchanges and Clearing Limited at “<http://www.hkexnews.hk>”. To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199);
“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 ultimate controlling shareholder of the Company;
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries;
“COSCO SHIPPING Holdings”	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 Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601919), a controlling Shareholder;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“Director(s)”	the director(s) of the Company;
“EVA”	economic value added, a measurement of economic profit of a company;
“Exercise Price”	the price pre-determined at each Grant of the Options in accordance with the terms of the Share Option Scheme, at which the Participants are able to purchase Underlying Shares;
“Grant”	an act by the Company to grant to the Participants Share Options pursuant to the Share Option Scheme;
“Grant Date”	the date on which the Share Options are formally granted to the Participants by the Company pursuant to the Grant which must be a trading day;
“Grantee”	any Participant who accepts an offer to be granted with Share Options in accordance with the terms of the Share Option Scheme;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	15 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Option(s)” or “Share Option(s)”	conditional upon the fulfillment of the vesting conditions and other exercise arrangements, an option to subscribe for one Share at Exercise Price during the exercise period for such share option;
“Other Participants”	senior management members at the headquarters of the Company and departmental general managers, and senior management members of the Company’s subsidiaries (not being Participants who have already been granted Share Options under the Share Option Scheme);
“Participant(s)”	Directors, key management personnel such as senior management members at the headquarters of the Company and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of the Company, and senior management members of the Company’s subsidiaries excluding independent non-executive Directors, Shareholders or de facto controllers of the Company who on their own or in aggregate holding more than 5% of the Shares, and their respective spouses, parents, children or other associates (as defined in the Listing Rules);
“PRC”	the People’s Republic of China;
“Previous Share Option Scheme”	the previous share option scheme of the Company adopted on 23 May 2003 and expired on 22 May 2013;
“Proposed Initial Grant”	the proposed initial grant to the Specified Participants of 53,505,652 Share Options pursuant to the Share Option Scheme, the details of which are set out in section headed “7 – Allocation of Options” of the Appendix to this circular;

DEFINITIONS

“Reserved Grant”	the intended grant of a further 5,945,072 Share Options to the Other Participants pursuant to the Share Option Scheme;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會);
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Option Scheme, the notice of which is set out on pages N-1 to N-3 of this circular;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Share Option Scheme”	the new share option scheme of the Company proposed to be approved by the Shareholders at the SGM, a summary of the principal terms of the share option scheme is set out in the Appendix to this circular;
“Shareholder(s)”	shareholder(s) of the Company;
“Specified Participants”	4 Directors, 6 senior management personnel and 228 key operation and management personnel who are identified to be granted initially under Share Option Scheme, details of which are set out in section headed “7 – Allocation of Options” of the Appendix to this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Underlying Shares”	new Shares that the Participants have the right to subscribe under the Share Option Scheme;
“Validity Period”	in respect of a Share Option, the period from the Grant Date of such Share Option to the date on which such Share Option expires; and
“%”	per cent.

For the purposes of this circular, the English name with an asterisk () is an unofficial English transliteration or translation and is for identification purposes only.*

LETTER FROM THE BOARD



COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:

Mr. HUANG Xiaowen² (*Chairman*)
Mr. ZHANG Wei (張為)¹
(Vice Chairman & Managing Director)
Mr. FANG Meng¹
Mr. DENG Huangjun¹
Mr. FENG Boming²
Mr. ZHANG Wei (張煒)²
Mr. CHEN Dong²
Mr. XU Zunwu²
Mr. WANG Haimin²
Dr. WONG Tin Yau, Kelvin¹
Dr. FAN HSU Lai Tai, Rita³
Mr. Adrian David LI Man Kiu³
Mr. FAN Ergang³
Mr. LAM Yiu Kin³
Prof. CHAN Ka Lok³

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

General Counsel & Company Secretary:

Ms. HUNG Man, Michelle

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

18 May 2018

To the Shareholders

Dear Sir or Madam,

PROPOSED ADOPTION OF SHARE OPTION SCHEME

The purpose of this circular is to provide you with, among other information, (i) information regarding the proposed adoption of the Share Option Scheme and the related matters and (ii) a notice of the SGM.

LETTER FROM THE BOARD

I. PROPOSED ADOPTION OF SHARE OPTION SCHEME

Reference is made to the announcement of the Company dated 27 April 2018 in relation to the proposed adoption of the Share Option Scheme.

The Company does not have any existing share option scheme. The Previous Share Option Scheme was adopted on 23 May 2003 and was expired on 22 May 2013. The Board proposed to adopt the Share Option Scheme for the Company at the SGM. A summary of the principal terms of the Share Option Scheme is set out in the Appendix to this circular.

Pursuant to Rule 17.01(4) of the Listing Rules, as the Company is a subsidiary of COSCO SHIPPING Holdings which is also listed on the Stock Exchange, the adoption of the Share Option Scheme is also conditional upon the passing of an ordinary resolution for its approval by the shareholders of COSCO SHIPPING Holdings at its general meeting.

Purposes of the Share Option Scheme

The purposes of the Share Option Scheme are to enable the Company (i) to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management; (ii) to further improve the Company's corporate governance structure and unify the interests-balance mechanism among the Shareholders, decision-makers of the Company and executives of the Company to secure a stable and long-term development of the Company; (iii) to coordinate the short-term incentives and long-term incentives of the management and professional talents of the Company, to cultivate and strengthen the key personnel, to attract different kinds of talents more flexibly and to improve the long-term development of the Company; (iv) to effectively motivate the management and key personnel to make efforts to enhance their performance and the core competitiveness of the Company; and (v) to enhance the Company's competitive position in the labour market, to attract, retain and incentivise senior management and personnel at key positions of the Company for achieving the strategic target of the Company, and to enhance the realisation of the long-term strategic target of the Company and to strengthen cohesion of the Company.

Scope of Participants

Eligible Participants include the Directors, key management personnel such as senior management members at the headquarters of the Company and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of the Company, and senior management members of the Company's subsidiaries.

Participants shall exclude independent non-executive Directors and Shareholders or de facto controllers of the Company who on their own or in aggregate holding more than 5% of the Shares, and their respective spouses, parents, children or other associates (as defined in the Listing Rules).

LETTER FROM THE BOARD

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

The Proposed Initial Grant to the relevant Directors is subject to the approval of the independent non-executive Directors. The details of the Proposed Initial Grant are set out in section headed “7 – Allocation of Options” of the Appendix to this circular.

Conditions

The adoption of the Share Option Scheme is conditional upon:

- i. the Board approving the Share Option Scheme;
- ii. the SASAC approving the Share Option Scheme;
- iii. the Shareholders passing an ordinary resolution at its general meeting approving the adoption of the Share Option Scheme and authorising the Directors to grant Share Options and to allot and issue Underlying Shares falling to be issued upon exercise of the Share Options;
- iv. the shareholders of COSCO SHIPPING Holdings passing an ordinary resolution at its general meeting of approving the adoption of the Share Option Scheme by the Company; and
- v. the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Underlying Shares on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the exercise of the Share Options in accordance with the terms and conditions of the Share Option Scheme.

As at the Latest Practicable Date, only the conditions referred to in i. and ii. above have been satisfied.

Underlying Shares

The maximum number of the Share Options that may be granted by the Company to the Participants under the Share Option Scheme (i.e. the Proposed Initial Grant and the Reserved Grant) shall not be more than 59,450,724 (corresponding to Underlying Shares representing approximately 1.94% of the total number of Shares), and among which 53,505,652 Share Options (corresponding to Underlying Shares representing approximately 1.75% of the total number of Shares) are proposed to be granted to Specified Participants and 5,945,072 Share Options (corresponding to Underlying Shares representing approximately 0.19% of the total number of Shares) are intended to be granted to Other Participants. If any Share Options that may be granted to the Other Participants pursuant to the Reserved Grant are not so granted within one year from the Grant Date of the Proposed Initial Grant, then such Share Options will not be available for further Grant.

LETTER FROM THE BOARD

The above percentage figures are based on the total number of issued Shares as at the Latest Practicable Date (i.e. 3,057,112,720) and on the assumption that there is no change in the number of issued Shares after the Latest Practicable Date and up to the date on which the Share Option Scheme is approved by the Shareholders at the SGM and by the shareholders of COSCO SHIPPING Holdings at its general meeting. The maximum number of Shares which may be issued pursuant to the Share Option Scheme will be 59,450,724 Shares, representing approximately 1.94% of the total number of Shares in issue as at the date of approval of the Share Option Scheme. The Share Option Scheme does not provide for the “refreshment option” referred to in the second paragraph of Note (1) to Rule 17.03(3) of the Listing Rules.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Underlying Shares which may fall to be allotted and issued pursuant to the exercise of the Share Options granted under the Share Option Scheme.

As at the Latest Practicable Date, all share options granted under the Previous Share Option Scheme were lapsed and there were no outstanding share options under the Previous Share Option Scheme.

The Proposed Initial Grant and the Reserved Grant

The Proposed Initial Grant and the Reserved Grant will not be made unless the conditions set out in section headed “2 – *Conditions*” of the Appendix to this circular as well as those set out in section headed “11 – *Performance Target before the Options can be granted and vested – Performance Conditions for the Grant of Share Options*” of the Appendix to this circular have been satisfied.

Subject to satisfaction of the conditions as referred to in the immediate preceding paragraph, the Grant Date in respect of the Proposed Initial Grant and the Reserved Grant shall be determined by the Board. The Grant Date shall be a trading day and shall not fall within any of the following periods:

- i. (1) the date on which the Company issues its financial results; (2) during the period of 60 days immediately preceding the publication date of the annual results or, the period from the end of the relevant financial year up to the publication date of the financial results (whichever is shorter); (3) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or the period from the end of the relevant quarterly or half-year period up to the publication date of the results (whichever is shorter), unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C of Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) of the Listing Rules;

LETTER FROM THE BOARD

- ii. during the period commencing one month immediately before the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) 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 (whether or not required under the Listing Rules), and ending on the date of the results announcement; and
- iii. during the period in which any Director becomes aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules or connected transactions under Chapter 14A of the Listing Rules or any inside information until the information has been announced.

The Grant Date in respect of the Proposed Initial Grant is currently expected to be no later than the end of 2018. Further announcement disclosing the details of any Grant under the Proposed Initial Grant and the Reserved Grant will be made by the Company in accordance with the Listing Rules.

Exercise Price

The Exercise Price is determined based on the principle of fair market value. The Exercise Price shall be the highest of the following:

- i. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Grant Date;
- ii. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Grant Date; and
- iii. the nominal value of the Shares.

Exercise arrangement and performance targets before Options can be exercised

Under the Share Option Scheme, the exercise of the Options is subject to a two-year vesting period during which a Participant is not allowed to exercise any Option granted. After the expiration of the two-year period, the Participant may exercise the Options in three equal batches in the 3rd, 4th and 5th year after the Grant Date respectively. The details of such exercise arrangement are set out in section 10 of the Appendix to this circular. Such exercise arrangement may provide incentives to the Participants to remain in the employment of the Group during the two-year vesting period and thereby enable the Group to benefit from the continued services of such Participants during such period.

LETTER FROM THE BOARD

Further, the Share Option Scheme has set out performance target requirements which must be achieved before any Option can be exercised by a Participant. Details of such performance targets are set out in section 11 of the Appendix to this circular. This requirement, coupled with the aforementioned exercise arrangement, may enable the Group to provide incentives to the Participants to remain in employment and to use their best endeavours in assisting the growth and development of the Group. The Directors are of the view that such arrangements will place the Group in a better position to attract and retain talents who are valuable to the growth and development of the Group as a whole.

Value of all Options

The Board considers that it would not be appropriate to state the value of all Share Options that can be granted under the Share Option Scheme as if they had been granted on the Latest Practicable Date on the basis that there are a number of variables which are crucial for the calculation of the value of the Share Options (including the Exercise Price and other variables). The Board believes that any calculation of the value of the Share Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Documents available for inspection

A copy of the Share Option Scheme will be available for inspection during normal business hours at the principal place of business of the Company, 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, from the date of this circular to and including the date of the SGM.

II. SGM

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 8 June 2018 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve the Share Option Scheme is set out on pages N-1 to N-3 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 4 June 2018. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 4 June 2018.

LETTER FROM THE BOARD

To the extent that the Company is aware having made all reasonable enquiries, Specified Participants and their respective associates, who are in aggregate interested in 863,754 Shares, representing approximately 0.028% of the total number of issued Shares of the Company as at the Latest Practicable, are required to abstain from voting on the resolution to be proposed at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must 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. In accordance with Bye-law 66 of the Bye-laws of the Company, the chairman of the SGM will therefore demand a poll on the resolution(s) to be proposed at the SGM.

III. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the resolution(s) in relation to the adoption of the Share Option Scheme and the related matters are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolution(s) to be proposed at the SGM as set out in the notices of the SGM.

IV. 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.

Yours faithfully,
For and on behalf of
COSCO SHIPPING Ports Limited
ZHANG Wei (張為)
Vice Chairman & Managing Director

The following is a summary of the principal terms of the Share Option Scheme to be approved and adopted at the SGM. It does not form part of, nor is it intended to be part of, the terms of the Share Option Scheme and it should not be taken as affecting the interpretation of the terms of the Share Option Scheme.

1. PURPOSES

The purposes of the Share Option Scheme are to enable the Company (i) to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management; (ii) to further improve the Company's corporate governance structure and unify the interests-balance mechanism among the Shareholders, decision-makers of the Company and executives of the Company to secure a stable and long-term development of the Company; (iii) to coordinate the short-term incentives and long-term incentives of the management and professional talents of the Company, to cultivate and strengthen the key personnel, to attract different kinds of talents more flexibly and to improve the long-term development of the Company; (iv) to effectively motivate the management and key personnel to make efforts to enhance their performance and the core competitiveness of the Company; and (v) to enhance the Company's competitive position in the labour market, to attract, retain and incentivise senior management and personnel at key positions of the Company for achieving the strategic target of the Company, and to enhance the realisation of the long-term strategic target of the Company and to strengthen cohesion of the Company.

2. CONDITIONS

The Share Option Scheme is conditional upon:

- i. the Board approving the Share Option Scheme;
- ii. the SASAC approving the Share Option Scheme;
- iii. the Shareholders passing an ordinary resolution at its general meeting approving the adoption of the Share Option Scheme and authorising the Directors to grant Share Options and to allot and issue Underlying Shares falling to be issued upon exercise of the Share Options;
- iv. the shareholders of COSCO SHIPPING Holdings passing an ordinary resolution at its general meeting of approving the adoption of the Share Option Scheme by the Company; and
- v. the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Underlying Shares on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the exercise of the Share Options in accordance with the terms and conditions of the Share Option Scheme.

3. SCOPE OF PARTICIPANTS AND BASIS OF DETERMINING THE PARTICIPANTS

Scope of Participants

Eligible Participants include the Directors, key management personnel such as senior management members at the headquarters of the Company and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of the Company, and senior management members of the Company's subsidiaries.

Participants shall exclude independent non-executive Directors and Shareholders or de facto controllers of the Company who on their own or in aggregate holding more than 5% of the Shares, and their respective spouses, parents, children or other associates (as defined in the Listing Rules).

The total number of the Specified Participants is 238, representing 7.3% of the total number of the Company's employees as at the end of July 2017.

Basis of Determining the Participants

The Participants shall be determined in accordance with "Trial Measures on the Implementation of Equity Incentives by State-controlled Companies Listed Overseas*" (國有控股上市公司(境外)實施股權激勵試行辦法), "Notice on Issues Concerning Regularising the Implementation of Equity Incentive Schemes by State-controlled Listed Companies*" (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) issued by SASAC and the relevant regulations in the Listing Rules.

4. UNDERLYING SHARES

The Underlying Shares under the Share Option Scheme shall be new Shares to be issued by the Company to the Participants. Grant of the Share Options shall be the incentive method of the Share Option Scheme. Within the exercise period of the Share Options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the Share Options, Grant of each Share Option entitles the Grantee to subscribe for one Share at relevant Exercise Price.

5. LIFE OF THE SHARE OPTION SCHEME AND MAXIMUM NUMBER OF OPTIONS TO BE GRANTED

The Share Option Scheme shall be valid and effective for a period of 10 years from the date it becomes effective. The period within which the Underlying Shares must be taken up under the Share Options is 5 years from the date of grant of the Share Options.

The maximum number of the Share Options that may be granted by the Company to the Participants under the Share Option Scheme (i.e. the Proposed Initial Grant and the Reserved Grant) shall not be more than 59,450,724 (corresponding to Underlying Shares representing approximately 1.94% of the total number of Shares), and among which 53,505,652 Share Options (corresponding to Underlying Shares representing approximately 1.75% of the total number of Shares) are proposed to be granted to Specified Participants and 5,945,072 Share Options (corresponding to Underlying Shares representing approximately 0.19% of the total number of Shares) are intended to be granted to Other Participants.

Note: The above percentage figures are based on the total number of issued Shares as at the Latest Practicable Date (i.e. 3,057,112,720) and on the assumption that there is no change in the number of issued Shares after the Latest Practicable Date and up to the date on which the Share Option Scheme is approved by the Shareholders at the SGM and by the shareholders of COSCO SHIPPING Holdings at its general meeting.

No option may be granted under the Share Option Scheme if this will result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company exceeding 10% of the issued Shares from time to time.

6. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

Unless approved by (i) the Shareholders by an ordinary resolution at a general meeting of the Company; (ii) the shareholders of COSCO SHIPPING Holdings by an ordinary resolution at its general meeting in accordance with the Listing Rules (if the Company is still a subsidiary of COSCO SHIPPING Holdings and the shares of which remain listed on the Stock Exchange); (iii) independent non-executive Directors before each grant of Options to a Director or chief executive, the total number of Shares issued and to be issued upon exercise of the options under Share Option Scheme and other share option schemes of the Company granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued Shares.

The number of Share Options to be granted to each Participant shall be determined on the basis that the estimated benefit upon exercise of the Share Options will not exceed 40% of twice of his/her total annual emolument (inclusive of the estimated benefit upon exercise of the Share Options). The number of Share Options to be granted under the Proposed Initial Grant to Specified Participants was determined according to the annual salary level in 2016.

If the results of the Company is exceptionally outstanding, the cap on the benefit upon exercise of the Share Options mentioned above may be adjusted according to the regulations of the SASAC. The specific operation and arrangement will be implemented by the Board in accordance with the then regulations of the SASAC.

7. ALLOCATION OF OPTIONS

The following table sets out the allocation of Share Options to the Participants under the Share Option Scheme:

Name	Item	Position	Number of	Percentage of
			Share Options to be granted under the Share Option Scheme	the Share Options to be granted under the Share Option Scheme
1	Specified Participants			
	ZHANG Wei (張為)	Executive Director, Vice Chairman of the Board and Managing Director	1,500,000	2.52%
	FANG Meng	Executive Director and Deputy Managing Director	1,500,000	2.52%
	DENG Huangjun	Executive Director and Deputy Managing Director	1,200,000	2.02%
	WONG Tin Yau, Kelvin	Executive Director and Deputy Managing Director	1,200,000	2.02%
	6 senior management personnel		6,600,000	11.10%
	228 key operation and management personnel		41,505,652	69.82%
	Sub-total		53,505,652	90.00%
2	Other Participants		5,945,072	10%
	Total		59,450,724	100.00%

Notes:

- i. The aggregate number of Shares acquired and to be acquired by any one of the above Participants through the Share Option Scheme and other share option schemes of the Company (if any) after exercising the share options granted (including the exercised and outstanding share options) does not exceed 1% of total issued Shares.
- ii. Prior to granting Share Options to Directors and chief executive of the Company, approval from independent non-executive Directors shall first be obtained.

If any Share Options that may be granted to the Other Participants pursuant to the Reserved Grant are not so granted within one year from the Grant Date of the Proposed Initial Grant, then no such Share Option may be granted.

8. GRANT OF OPTIONS

Subject to satisfaction of the conditions set out in section headed “2 – *Conditions*” of the Appendix to this circular and the conditions set out in section headed “11 – *Performance Target before the Options can be granted and vested – Performance Conditions for the Grant of Share Options*” of the Appendix to this circular, the Grant Date shall be determined by the Board. The Grant Date shall be a trading day and shall not fall within any of the following periods:

- i. (1) the date on which the Company issues its financial results; (2) during the period of 60 days immediately preceding the publication date of the annual results or, the period from the end of the relevant financial year up to the publication date of the financial results (whichever is shorter); (3) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or the period from the end of the relevant quarterly or half-year period up to the publication date of the results (whichever is shorter), unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C of Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) of the Listing Rules;
- ii. during the period commencing one month immediately before the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) 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 (whether or not required under the Listing Rules), and ending on the date of the results announcement; and
- iii. during the period in which any Director becomes aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules or connected transactions under Chapter 14A of the Listing Rules or any inside information until the information has been announced.

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

9. EXERCISE PRICE

The Exercise Price is determined based on the principle of fair market value. The Exercise Price shall be the highest of the following:

- i. the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Grant Date;
- ii. the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the Grant Date; and
- iii. the nominal value of the Shares.

10. VALIDITY PERIOD AND EXERCISE ARRANGEMENT

Validity Period

Options under each Grant have a Validity Period of five years commencing from the Grant Date.

Exercise Arrangement

Share Options cannot be exercised during the two-year period commencing from the Grant Date (the “**Restriction Period**”). Subject to the fulfilment of the relevant vesting conditions, Share Options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period and each batch of Share Options vested is exercisable within the periods stated as follows:

Batch No. of Share Options vested	Exercise period	Percentage of Options vested
1st batch of Share Options	Commencing on the first trading day after the expiration of the Restriction Period and ending on the last trading day of 60 months from the Grant Date	33.3%
2nd batch of Share Options	Commencing on the first trading day after the expiration of the 36 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date	33.3%
3rd batch of Share Options	Commencing on the first trading day after the expiration of the 48 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date	33.4%

If the conditions for the vesting of a particular batch of the Share Options cannot be fulfilled, such batch of Share Options will be not vested and will lapse.

The vesting conditions are set out in section headed “*11 – Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options*” of this Appendix below.

11. PERFORMANCE TARGET BEFORE THE OPTIONS CAN BE GRANTED AND VESTED

Performance Indicators

The performance indicators for the Grant and the vesting of the Share Options include: (i) return on net assets (after extraordinary gains and losses); (ii) growth rate of revenue; and (iii) the EVA. For the purpose of calculating “return on net assets” (after extraordinary gains and losses), gains (or losses) resulting from disposals of interest in terminals projects which are related to the implementation of the strategic planning of the Company need not be deducted as they constitute recurring gains (or losses), whereas (i) profits (or losses) arising from disposals of projects which are unrelated to the strategic planning of the Company and from discontinued operations; and (ii) one-off gains resulted from transactions such as transfer of shares and assets that involve an increase in shareholding in listed ports companies (excluding those listed in the PRC and in this context, including those listed in Hong Kong) shall be deducted. For the purpose of calculating the performance indicators at the time of vesting, the calculation of all indicators for the assessment of the performance of the Company takes into account the revenue, all costs (including financial cost), profits and the impact on return on net assets generated by investment in newly constructed terminals only after formal commencement of the operation of the terminals.

Performance Conditions for the Grant of Share Options

The performance conditions for the Grant are as below:

- i. The Company shall fulfil the following conditions in its results in the financial year immediately preceding the Grant Date at the time of the Grant: (1) return on net assets (after extraordinary gains and losses) shall not be lower than 3.5%; and (2) growth rate of revenue shall not be lower than 1.0%.
- ii. The Participant shall fulfil his/her personal performance target at the time of the Grant: achieving “average” or above at his/her annual performance appraisal in the year before the date of the Grant.

Performance Conditions for the vesting of Share Options

Vesting of Share Options are subject to the satisfaction of both the Company’s performance targets and the Participant’s performance target mentioned as below:

- i. The results of the Company shall attain the performance targets in respect of the relevant financial years as stated below:

Batch No. of Share Options vested	Conditions for vesting of Share Options
1st batch of Options	<ol style="list-style-type: none">(1) return on net assets (after extraordinary gains and losses) in the financial year immediately preceding the vesting of the Share Options shall not be lower than 6.0% and shall not be lower than the average of the selected peer benchmark enterprises;(2) growth rate of revenue in the financial year immediately preceding the vesting of the Share Options as compared to that in the financial year immediately preceding the Grant Date shall not be lower than 15.0% and shall not be lower than the average of the selected peer benchmark enterprises; and(3) The EVA indicator accomplished for the financial year immediately preceding the vesting of the Share Options has reached the assessment target set by COSCO SHIPPING.
2nd batch of Share Options	<ol style="list-style-type: none">(1) return on net assets (after extraordinary gains and losses) in the financial year immediately preceding the vesting of the Share Options shall not be lower than 6.5% and shall not be lower than the average of the selected peer benchmark enterprises;(2) growth rate of revenue in the financial year immediately preceding the vesting of the Share Options as compared to that in the financial year immediately preceding the Grant Date shall not be lower than 25.0% and shall not be lower than the average of the selected peer benchmark enterprises; and(3) The EVA indicator accomplished for the financial year immediately preceding the vesting of the Share Options has reached the assessment target set by COSCO SHIPPING, and ΔEVA is greater than zero.

- 3rd batch of Share Options
- (1) return on net assets (after extraordinary gains and losses) in the financial year immediately preceding the vesting of the Share Options shall not be lower than 7.0% and shall not be lower than the average of the selected peer benchmark enterprises;
 - (2) growth rate of revenue in the financial year immediately preceding the vesting of the Share Options as compared to that in the financial year immediately preceding the Grant Date shall not be lower than 40.0% and shall not be lower than the average of the selected peer benchmark enterprises; and
 - (3) The EVA indicator accomplished for the financial year immediately preceding the vesting of the Share Options has reached the assessment target set by COSCO SHIPPING, and Δ EVA is greater than zero.

The Board is entitled to adjust and amend the performance targets according to factors such as the strategy of the Company and the market conditions. Such adjustments and amendments are, however, subject to filing with the SASAC. Any requests to alter provisions in favour of the Participants must first obtain the approval of the Shareholders and the shareholders of COSCO SHIPPING Holdings (if the Company is still a subsidiary of COSCO SHIPPING Holdings and the shares of which remain listed on the Stock Exchange).

In the process of annual appraisal, in case of any material change in the principal business of any of the peer benchmark enterprises, or deviation in the absolute value of samples being too large, the Board will take out or replace such sample at the year-end appraisal.

- ii. The Participant shall attain his/her personal performance target at the time of determining the number of Options to be vested: the percentage of the relevant batch of Share Options to be vested is to be determined with reference to the results of his/her personal performance appraisal in the preceding financial year:

Personal performance appraisal grade	Distinction	Merit	Average	Unsatisfactory
Vesting percentage of the Options	100%	100%	80%	0%

12. LAPSE AND CANCELLATION OF OPTIONS

Change of Situation of the Company

Where any of the following events occurs in relation to the Company, the Board will determine the continuing execution, amending, putting on hold or terminating of the Share Option Scheme, other than those rights exercisable at general meetings of the Company pursuant to the relevant laws, administrative regulations, administrative rules and normative documents:

- i. change of control of the Company, including a proposed takeover of the Company (whether by general offer or by scheme of arrangement);
- ii. amalgamation, separation, reconstruction, circumstances such as entering into a proposed debt restructuring agreement or debt repayment arrangement of the Company; or
- iii. other material change to the Company.

The Board is entitled to determine the treatment of Options which are vested but are not yet exercised (including but not limited to terminating the exercise of Options and cancellation of the Options). The Board is also entitled to determine the treatment of Options which are granted but have not yet become vested (including but not limited to cancellation of Options), but the Board is prohibited from making any arrangements that accelerate the vesting of Options.

Change of Personal Situation of the Participants

If the Participant is transferred internally from one company to another within the Group, his/her Share Options which are vested but are not yet exercised and those which have been granted but have not yet been vested will not be affected.

If any of the following events occur, all Share Options of a Participant which are vested but are not yet exercised shall be exercised by the Participant or by his/her legal successor(s) (as the case may be) within six months, and those which have not yet become vested shall lapse:

- i. upon early termination of his/her labour contract by mutual agreement, resignation due to normal internal transfer within the COSCO SHIPPING Group (not being special transfer arrangement referred to below); or
- ii. the Participant dies or becomes incapacitated.

If the Participant retired or has accepted the special transfer arrangement and is transferred from the Group to another company within the COSCO SHIPPING Group; and he/she is still employed by the COSCO SHIPPING Group and has an important working relationship with the Group after the transfer; and he/she still owes a duty to follow up with the work of the previous position after the transfer, then all Share Options which are vested but are not yet exercised shall be treated in the same way as they were before the transfer and the Board will authorise the independent non-executive Directors of the remuneration committee of the Company to decide on whether all (or part of) the outstanding Share Options of the Participant shall also be treated in the same way as they were before the transfer.

If the Participant resigns or his/her employment is terminated due to other personal reasons, his/her Share Options (whether vested or not) shall lapse.

Where any of the following events occurs in relation to a Participant, the Board is entitled to cease granting new Share Options, cancel Share Options which are not yet exercised by him/her, and reclaim the gains obtained by him/her from the exercise of the Share Options:

- i. results of accountability audit indicate failure in performing duties effectively or gross neglect of duty or malfeasance on his/her part;
- ii. violation of applicable local or foreign laws and regulations or provisions of the Memorandum of Association and the Bye-Laws of the Company; or
- iii. possession of sufficient evidence by the Company proving that the Participant, during his/her employment, due to offering or accepting bribes, corruption, theft, leaking commercial secrets of the Company, conducting connected transactions which impaired the interests and reputation of the Company, and other illegal behaviours having material adverse impact on the image of the Company, has caused the Company to suffer losses.

Where any of the following events occurs in relation to the Participant, the Board is entitled to cancel all or any part of his/her Share Options:

- i. the Participant transfers, sells, exchanges, charges, guarantees, pledges, etc. the Options granted to him/her, or uses such Options to settle any debt;
- ii. the Participant uses the Share Options to commit fraud, extortion, etc.;
- iii. the Participant violate the law and is convicted of criminal liability;
- iv. other circumstances stipulated under other applicable domestic or foreign laws and regulations; or
- v. the Participant fails the performance appraisal.

13. AMENDMENTS TO AND TERMINATION OF THE SHARE OPTION SCHEME

Amendments to the Share Option Scheme shall be approved at the general meeting of the Company and/or the general meeting of shareholders of COSCO SHIPPING Holdings (if the Company is still a subsidiary of COSCO SHIPPING Holdings and the shares of which remain listed on the Stock Exchange) where: (i) the amendments are required by the relevant documents issued by the CSRC or the SASAC (including any amendments thereto from time to time and any other laws, regulations or regulatory documents in replacement) or requirements of Hong Kong regulatory authority (including but not limited to the Listing Rules) to be approved at the general meeting; (ii) the amendments relate to the matters set out in Rule 17.03 of the Listing Rules and are to the advantage of the Participants; (iii) the amendments to the provisions of the Share Option Scheme are of a material nature or amendments to the terms of the Options granted (except where amendments take effect automatically under the existing terms of the Share Option Scheme); or (iv) the amendments relate to the power of the Board to amend the terms of the Share Option Scheme.

If any of the following events has occurred to the Company during the validity period of the Share Option Scheme, the Share Option Scheme shall be terminated and new Share Options shall not be granted to the Participants. All Share Options which have become exercisable but are not yet exercised shall be terminated and cancelled, and those which have not become exercisable shall lapse:

- i. failure to engage an auditor to carry out auditing work in accordance with the relevant regulations and requirement;
- ii. issue of an auditors' report with qualified or negative opinion or which indicates the inability to give opinion by a certified public accountant with respect to the annual financial report of the Company;
- iii. the bodies performing the contributor's functions or the audit department raising significant objections to the business performance or the annual financial report of the Company; or
- iv. imposition of penalties by security supervisory authority or other relevant authorities due to material non-compliance of the Company.

The Board may, if it considers necessary, propose to pass a resolution in a general meeting of the Company for the early termination of the Share Option Scheme. If early termination of the Share Option Scheme is approved at a general meeting of the Company, all Share Options which are exercisable but are not yet exercised shall be terminated and cancelled, and those which have not become exercisable shall lapse.

14. RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS**Rights and Obligations of the Company**

- i. The Company is entitled to interpret and execute the Share Option Scheme, to conduct performance appraisal of the Participants, to supervise and review whether the Participants possess the qualification to continue to exercise Share Options;
- ii. The Company shall timely comply with obligations such as declaration and disclosure of information of the Share Option Scheme in accordance with the relevant regulations;
- iii. The Company is entitled to require the Participants to work for the Company according to the requirements of his/her position. Where a Participant is incompetent for his/her position or fails the appraisal, the unexercised Share Options held by such Participant may be cancelled in accordance with the terms of the Share Option Scheme upon the approval of the Board;
- iv. Where a Participant has severely impaired the interests or reputation of the Company as a result of violating laws, professional ethics, divulging confidential information of the Company, neglecting his/her duty or malfeasance, the unexercised Share Options held by such Participant may be cancelled upon the approval of the Board;
- v. The Company withholds individual income tax and other taxes payable by the Participants according to the requirements of the relevant tax laws and regulations of the country/area where the Participant is present;
- vi. The Company will not provide loans and any other form of financial assistance, including providing guarantee for loans, for the Participants to obtain relevant rights under the Share Option Scheme;
- vii. The Company will calculate and ascertain the fair value of Share Options concerned under the Share Option Scheme in accordance with the accounting standards for business, and will conduct financial and accounting treatment in accordance with the relevant regulations of the accounting standards for business;
- viii. The Company shall actively support the Participants who have fulfilled the exercise conditions to exercise Share Options in accordance with the relevant requirements including those of the Share Option Scheme, the CSRC and the Stock Exchange. However, the Company disclaims any liability for any loss suffered by the Participants arising from the incapability to exercise as he desires as a result of the CSRC and the Stock Exchange; and
- ix. Other relevant rights and obligations required by laws and regulations.

Rights and Obligations of the Participants

- i. The Participants shall comply with the requirements of his/her position stipulated by the Company, and the Participant shall work diligently and responsibly, strictly observe professional ethics, and make contributions to the development of the Company;
- ii. The Participants are entitled to exercise Share Options according to the terms of the Share Option Scheme;
- iii. Share Options granted to the Participants shall not be transferred or used as guarantee or repayment of debts.
- iv. Any gains obtained by the Participants in connection with the Share Option Scheme are subject to individual income tax and other taxes according to tax laws and regulations of the country/area where the Participant is present;
- v. The Participants shall undertake that where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with arrangements for the grant or exercise of Share Options, the Participants shall return to the Company all gains obtained from the Share Option Scheme after false statements or misleading statements in or material omissions from the information disclosure documents have been confirmed;
- vi. The Participants shall bear all costs incurred from the exercise of Share Options or the subscription of Shares; and
- vii. Other relevant rights and obligations required by laws and regulations.

15. RIGHTS ATTACHING TO THE OPTIONS

The Options do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the winding-up of the Company).

16. RIGHTS ATTACHING TO THE UNDERLYING SHARES

The Shares which are allotted and issued upon the exercise of an Option shall be subject to all the provisions of the Memorandum of Association and Bye-Laws of the Company for the time being in force and shall rank *pari passu* in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on a winding-up of the Company) as, the fully paid Shares in issue on the date on which those Shares are allotted and issued upon the exercise of the Option and, without prejudice to the generality of the foregoing, shall entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the date on which the Shares are allotted and issued, other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are allotted and issued.

17. TRANSFERABILITY OF OPTIONS

The Share Options shall be personal to the Participants, and shall not be transferable. No Participant has the right to sell, transfer, guarantee, charge or pledge the Options granted to him/her, or use such Options to settle any debt.

18. ADJUSTMENT OF OPTIONS

In the event of any alteration in the capital structure of the Company, whether by way of capitalisation issue, bonus issue, rights issue, open offer, consolidation or sub-division of shares or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to (a) the number of Shares subject to the Share Option so far as unexercised; and/or (b) the Exercise Price; and/or (c) the maximum number of Shares as referred to in sections 5 and 6 of the Appendix to this circular, provided that any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he/she was entitled before such alteration and that the aggregate Exercise Price payable by a Grantee on the full exercise of any Share Option shall remain as close as possible (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustments made on a capitalisation issue, the auditors for the time being of or an independent financial adviser of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules (including the applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange).

Method of Adjusting the Number of Share Options

Subject to compliance with the requirements of the first paragraph under this section 18, if there is any capitalisation issue, bonus issue, subdivision or consolidation of shares, rights issue or open offer prior to the exercise of the Share Option, an adjustment to the number of Share Options shall be made accordingly. The method of adjustment is set out as below:

Capitalisation issue, bonus issue and subdivision of Shares

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

Where: “Q₀” represents the number of Share Options before the adjustment; “n” represents the additional number of Shares upon capitalisation issue, bonus issue or subdivision of Shares per Share; “Q” represents the number of Share Options after the adjustment.

Consolidation of Shares

$$Q = Q_0 \times n$$

Where: “Q₀” represents the number of Share Options before the adjustment; “n” represents the ratio of consolidation of Shares; “Q” represents the number of Share Options after the adjustment.

Rights issue and open offer

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

Where: “Q₀” represents the number of Share Options before the adjustment; “P₁” represents the closing price as at the last trading day before the ex-entitlement date; “P₂” represents the subscription price; “n” represents the ratio of the allotment; “Q” represents the number of Share Options after the adjustment.

Methods of Adjusting the Exercise Price

Subject to compliance with the requirements of the first paragraph under this section 18, if there is any capitalisation issue, bonus issue, subdivision or consolidation of shares, rights issue or open offer, an adjustment to the Exercise Price shall be made accordingly. The method of adjustment is set out as below:

Capitalisation issue, bonus issue and subdivision of Shares

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

Where: “P₀” represents the Exercise Price before the adjustment; “n” represents the additional number of Shares upon the capitalisation issue, bonus issue and subdivision of Shares per Share; “P” represents the Exercise Price after the adjustment.

Consolidation of Shares

$$P = P_0 \div n$$

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

Rights issue and open offer

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

Where: “P₀” represents the Exercise Price before the adjustment; “P₁” represents the closing price as at the last trading day before the ex-entitlement date; “P₂” represents the subscription price; “n” represents the ratio of allotment; “P” represents the Exercise Price after the adjustment.

Procedures for Adjusting the Number of Share Options and the Exercise Price

The Shareholders’ general meeting shall authorize the Board to determine the adjustment of the Exercise Price and the number of Share Options if any of the aforesaid circumstances occurs. The Board shall make further announcements and notify the Participants after adjusting the Exercise Price and the number of Share Options in accordance with the provisions above (if required).

NOTICE OF THE SGM



COSCO SHIPPING Ports Limited 中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of COSCO SHIPPING Ports Limited (the “Company”) will be held at 47/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Friday, 8 June 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon (a) the passing of an ordinary resolution by the shareholders of COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司) (“**COSCO SHIPPING Holdings**”, a holding company of the Company) at its general meeting approving the adoption of the share option scheme of the Company (the “**Share Option Scheme**”), the rules of which are contained in the document marked “A” produced to this meeting and for the purpose of identification signed by the chairman of the meeting and a summary of the terms of which is contained in the Appendix to the circular of the Company dated 18 May 2018 (the “**Circular**”) in which this notice of meeting is set out; and (b) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the shares in the capital of the Company (the “**Shares**”) which may fall to be issued and allotted pursuant to the exercise of any options (“**Share Option**”) which may be granted under the Share Option Scheme, the Share Option Scheme be and is hereby approved and adopted with effect from the day on which all the conditions as set out in the Share Option Scheme have been fulfilled, and the Directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme including but without limitation:

- (i) to administer the Share Option Scheme under which Share Options will be granted to participants eligible under the Share Option Scheme to subscribe for Shares, including but not limited to, to grant Share Options to the Specified Participants (as defined in the Circular) and to the Other Participants (as defined in the Circular) in accordance with the Share Option Scheme and to handle all matters necessary in relation to, expedient or incidental to the grant of options under the Share Option Scheme;
- (ii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the Share Options and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
- (iii) to adjust the number of the Share Options, the number of the underlying Shares, the exercise price and etc. in accordance with the provisions of the Share Option Scheme;

NOTICE OF THE SGM

- (iv) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment;
- (v) to determine whether to reclaim the benefits obtained from the exercise of the Share Options by holders of Share Options in accordance with the provisions of the Share Option Scheme;
- (vi) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares in the capital of the Company may for the time being be listed, for listing of, and permission to deal in, any shares in the capital of the Company which may from time to time be issued and allotted pursuant to the exercise of the options under the Share Option Scheme, and where any such application has been made prior to the date of passing this resolution, the same be approved, confirmed and ratified; and
- (vii) to handle such processes as approval, registration, filing, verification or consent in relation to the Share Option Scheme with relevant governmental or regulatory authorities or departments, institutions, organisations or individuals; to execute, perform, amend or complete the documents submitted to the relevant governmental or regulatory authorities or departments, institutions, organisations or individuals; to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant governmental or regulatory authorities or departments, institutions, organisations or individuals in relation to the Share Option Scheme and to conduct all acts, things and matters it deems as necessary, appropriate or advisable in relation to the Share Option Scheme.”

By Order of the Board
COSCO SHIPPING Ports Limited
HUNG Man, Michelle
General Counsel & Company Secretary

Hong Kong, 18 May 2018

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

NOTICE OF THE SGM

Notes:

1. Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 4 June 2018. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 4 June 2018.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.
3. To be valid, the form of proxy together with power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be deposited at the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so wish, and in such event, the form of proxy will be deemed to be revoked.
5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Unless the context requires otherwise, terms defined in the circular of the Company dated 18 May 2018 of which this notice forms part have the same meanings in this notice.
7. For the purposes of this notice, the English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.