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中國外運股份有限公司 SINOTRANS LIMITED

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

(Stock Code: 0598)

2020 FIRST EXTRAORDINARY GENERAL MEETING AND 2020 FIRST H SHAREHOLDERS' CLASS MEETING

- (1) PROPOSED ADOPTION OF THE OVERALL SHARE OPTION SCHEME AND THE
PHASE I GRANT PROPOSAL; AND**
- (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE
PROCEDURAL RULES FOR GENERAL MEETINGS**
-

A letter from the Board is set out on pages 5 to 20 of this circular.

A notice convening the EGM to be held at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 3:00 p.m. on 1 June 2020 or immediately following the conclusion of the 2019 annual general meeting or any adjournment thereof held at the same date and same place, a notice of attendance and a form of proxy for use at the EGM are available on the website of the Company and the website of the Hong Kong Stock Exchange.

A notice convening the H Shareholders' Class Meeting to be held at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 4:00 p.m. on 1 June 2020 or immediately following the conclusion of the EGM or any adjournment thereof held at the same date and same place, a notice of attendance and a form of proxy for use at the H Shareholders' Class Meeting are available on the website of the Company and the website of the Hong Kong Stock Exchange.

Shareholders who intend to attend the EGM and/or the H Shareholders' Class Meeting shall complete and return the notice of attendance in accordance with the instruction printed thereon on or before 12 May 2020. Shareholders who intend to appoint a proxy to attend the EGM and/or the H Shareholders' Class Meeting shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and/or the H Shareholders' Class Meeting or any adjournment of it, if you so wish.

17 April 2020

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DEFINITIONS

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

“Administrative Measures”	the Measures for the Administration of Equity Incentive Plans of Listed Companies (《上市公司股權激勵管理辦法》) (CSRC No. 126), which has been implemented since 13 August 2016 and amended on 15 August 2018 (CSRC No. 148)
“Appraisal Measures for Implementation of the Share Option Scheme”	Appraisal Measures for Implementation of the Share Option Incentive Scheme of Sinotrans Limited (《中國外運股份有限公司股票期權激勵計劃實施考核辦法》)
“Articles of Association”	the articles of association of Sinotrans Limited, as amended, modified or otherwise supplemented from time to time
“A Share(s)”	the domestic share(s) of the Company with nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
“A Shareholders’ Class Meeting”	the class meeting of holders of A Shares to be held at 4:30 p.m. on 1 June 2020 or immediately following the conclusion of the H Shareholders’ Class Meeting held at the same date and same place or any adjournment thereof, at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the PRC
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“CMG”	China Merchants Group Limited*(招商局集團有限公司), the ultimate controlling Shareholder of the Company, and a state wholly-owned enterprise established under the laws of the PRC under direct control of the SASAC
“Company Law”	the Company Law of the PRC
“Company”	中國外運股份有限公司(Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Hong Kong Stock Exchange and whose A Shares are listed on the SSE
“Class Meeting(s)”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Effective Arrangement”	the arrangement according to which the granted Share Options become effective in tranches (including one-time effect) in accordance with the predetermined timetable
“EGM”	the 2020 first extraordinary general meeting of the Company to be held at 3:00 p.m. on 1 June 2020 or immediately following the conclusion of the 2019 annual general meeting held at the same date and same place or any adjournment thereof, at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the PRC
“Exercisable Date”	the date on which the Share Option fulfills the requirement to be exercised upon the expiry of the Lock-up Period, which must be a trading day
“Exercise Date”	the date on which the Share Option is exercised at the Exercise Price
“Exercise of Options”	the acts to exercise the right under the Share Option to purchase the A Shares of the Company
“Exercise Period”	the exercise period set out in the Overall Share Option Scheme and/or the Phase I Grant Proposal
“Exercise Price”	the price determined by the Company when the Share Options are granted to such Participants and at which the Participants exercise to purchase A Shares of the Company
“Expected Return”	the expected value of the Share Options granted to the Participants, determined by multiplying the Fair Value of unit Share Option by the number granted
“Grant”	the granting of A Share Options by the Company to the Participants under the Overall Share Option Scheme and/or the Phase I Grant Proposal

DEFINITIONS

“Grant Date”	subject to the Shareholders’ consideration and approval of the Overall Share Option Scheme and/or the Phase I Grant Proposal at general meetings, the date of the announcement in relation to the Board’s confirmation on the satisfaction of the conditions of the Grant, which must be a trading day
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign invested share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholders’ Class Meeting”	the class meeting of holders of H Shares to be held at 4:00 p.m. on 1 June 2020 or immediately following the conclusion of the EGM held at the same date and same place or any adjournment thereof, at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the PRC
“Independent Director(s)”	the independent non-executive directors of the Company
“Latest Practicable Date”	8 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lock-up Period”	the period from the Grant Date of the Share Options to the first Exercisable Date
“Overall Share Option Scheme”	Share Option Incentive Scheme of Sinotrans Limited (revised draft) (《中國外運股份有限公司股票期權激勵計劃(草案修訂稿)》)
“Participant(s)”	the person(s) to be granted the Share Option(s) under the Overall Share Option Scheme and/or the Phase I Grant Proposal

DEFINITIONS

“Phase I Grant Proposal”	Share Option Incentive Scheme of Sinotrans Limited (Phase I) (revised draft) (《中國外運股份有限公司股票期權激勵計劃(第一期)(草案修訂稿)》) formulated by the Company based on the Overall Share Option Scheme
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Procedural Rules for General Meetings”	the Procedural Rules for General Meetings of Sinotrans Limited (《中國外運股份有限公司股東大會議事規則》), as amended, modified or otherwise supplemented from time to time
“Remuneration Committee”	the remuneration committee of the Board of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China
“Securities Law”	the Securities Law of the PRC
“Share(s)”	H Share(s) and A Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Share Option(s)” or “Option(s)”	conditional upon the fulfilment of the effective conditions and the Effective Arrangement, the right that each Share Option (also known as Share Option per share) is attached to for acquisition of one A Share of the Company at a predetermined Exercise Price during the Exercise Period within the validity period of the Share Option
“SSE”	Shanghai Stock Exchange
“stock exchanges”	the Hong Kong Stock Exchange and the SSE
“trading day(s)”	the date on which the SSE is open for trading of marketable securities
“%”	per cent

LETTER FROM THE BOARD



中國外運股份有限公司 SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0598)

Chairman:

Li Guanpeng

Vice Chairman:

Song Dexing

Executive Director:

Song Rong

Non-executive Directors:

Su Jian

Xiong Xianliang

Jiang Jian

Jerry Hsu

Independent non-executive Directors:

Wang Taiwen

Meng Yan

Song Haiqing

Li Qian

Registered Office:

Sinotrans Plaza A

A43, Xizhimen Beidajie

Haidian District

Beijing, 100082

People's Republic of China

Headquarters:

Building 10/Sinotrans Tower B

No. 5 Anding Road

Chaoyang District

Beijing, 100029

People's Republic of China

Principal Place of Business in Hong Kong:

Units F & G, 20/F., MG Tower

133 Hoi Bun Road

Kwun Tong, Kowloon

Hong Kong

17 April 2020

To the Shareholders

Dear Sir/Madam,

**2020 FIRST EXTRAORDINARY GENERAL MEETING AND
2020 FIRST H SHAREHOLDERS' CLASS MEETING
(1) PROPOSED ADOPTION OF THE OVERALL SHARE OPTION SCHEME AND
THE PHASE I GRANT PROPOSAL; AND
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
THE PROCEDURAL RULES FOR GENERAL MEETINGS**

LETTER FROM THE BOARD

I. INTRODUCTION

References are made to the announcements of the Company dated 27 December 2019 and 31 March 2020, in relation to, among other things, (i) proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal and their related amendments; and (ii) proposed amendments to the Articles of Association and the Procedural Rules for General Meetings.

The purpose of this circular is to provide the Shareholders with information regarding the above matters for consideration and approval thereby so as to make informed decisions on the resolutions to be proposed at the forthcoming EGM and Class Meetings.

II. PROPOSED ADOPTION OF THE OVERALL SHARE OPTION SCHEME AND THE PHASE I GRANT PROPOSAL

Resolutions will be put forward by the Board at the EGM and the Class Meetings to propose the approval and adoption of, among other things, the Overall Share Option Scheme and the Phase I Grant Proposal. The grant of the Share Options to the Directors under the Phase I Grant Proposal has been approved by the Independent Directors pursuant to Rule 17.04(1) of the Listing Rules. Pursuant to the Overall Share Option Scheme and the Phase I Grant Proposal, the Independent Directors are not eligible Participants and there is no Independent Director who is also a Participant.

For details of the main information of the Overall Share Option Scheme and the Phase I Grant Proposal contained in this section, including but not limited to the basis for determining the Participants and the scope thereof, the source and number of the Shares, the allocation of the Share Options, the validity period of the schemes, the validity period for the Exercise of Options, the Grant Date, the Lock-up Period, the Exercisable Date and the black-out period, the Exercise Price of the Share Options and the basis of determination, the conditions of the Grant and effectiveness of the Share Options, the methods of and procedures for the adjustment to the number and the Exercise Price of the Share Options, the accounting treatments, the procedures of amendments or termination, the arrangements for special occasions of the Company or the Participants, and the Appraisal Measures for Implementation of the Share Option Scheme formulated by the Company for the Overall Share Option Scheme and the Phase I Grant Proposal, please refer to Appendices I and II of this circular.

Pursuant to Article 34 of the Administrative Measures, all equity incentive plans shall be subject to the consideration and approval of the shareholders' meetings of the listed companies. As such, in accordance with current requirements of the PRC laws and regulations, the Overall Share Option Scheme, the Phase I Grant Proposal and any other further grant proposals formulated based on the Overall Share Option Scheme shall be subject to the Shareholders' approval (including separate class of Shareholders). However, as relevant PRC laws and regulations and the requirements of applicable PRC regulatory authorities are subject to amendments from time to time and the Company has not formulated any concrete remaining grant proposal (including the details and tentative timelines) at current stage, whether future grant proposals formulated based on the Overall Share Option Scheme still require shareholders' approval depends on the requirements of applicable PRC laws and regulations and relevant regulatory authorities when such proposals are finally determined and adopted. The Company will perform its information disclosure obligations and comply with applicable PRC laws and regulations and the requirements of applicable PRC regulatory authorities when it formulates future grant proposals based on the Overall Share Option Scheme and will submit the proposals to the Shareholders' meeting if required.

LETTER FROM THE BOARD

The Overall Share Option Scheme

1. Purpose of the Overall Share Option Scheme and the Scope of the Participants

Purpose: To closely relate the interests of the Shareholders to those of the Directors, senior management members and core personnel of the Company by virtue of the equity incentive, which will in turn facilitate the maximization of Shareholder's value and promote the maintenance and appreciation of value of state-owned assets; to form a benefit-sharing and risk-pooling mechanism among the Shareholders, the Company and its employees by establishing a long-term incentive mechanism, so as to fully arouse the enthusiasm of the Directors, senior management members, professional talents and core personnel of the Company, and to build a stable core management and professional personnel team; and to ensure the Company's capacity in providing a payroll package competitive enough to attract, retain and inspire the management personnel and professional talents that are required by the Company to achieve its strategic objectives in the talent market. The Board is of the view that the adoption of the Overall Share Option Scheme will help the Company benefit from the above and therefore recommends the Shareholders to approve the resolutions in relation to the Overall Share Option Scheme at the EGM and the Class Meetings.

The scope of the Participants: The scope of the Participants is determined pursuant to applicable PRC laws and regulations and the requirements of applicable PRC regulatory authorities such as SASAC and CSRC. In principle, the Participants shall be limited to in-service Directors, senior management members and core management and personnel with expertise who are employees of the Company and of direct significance in respect of the Company's operating results and sustainable development, and the scope shall not be expanded at will. The Participants shall not include the supervisors, the Independent Directors and any Shareholder or actual controller individually or jointly holding more than 5% of the shares of the Company and their respective spouse, parents and children. Pursuant to the Trial Measures for Implementing Equity Incentive Plans by State Holding Listed Companies (Domestic) (《國有控股上市公司(境內)實施股權激勵試行辦法》), management members in the listed company's state-owned controlling shareholders holding positions in the listed company are allowed to participate in the equity incentive schemes, but shall only participate in the equity incentive scheme of one listed company. Persons who shall not become the Participants under the provisions of the Administrative Measures shall not participate.

LETTER FROM THE BOARD

2. *Source and Number of the Shares Under the Overall Share Option Scheme*

The source of the underlying shares under the Overall Share Option Scheme shall be the A Shares of the Company to be directly issued to the Participants through non-public issuance.

Only A Shares will be directly issued upon the exercise of the Share Options to be granted and no H Shares can be issued under the Overall Share Option Scheme. The Overall Share Option Scheme and the Appraisal Measures for Implementation of the Share Option Scheme (among other things, stipulates the performance assessment targets for the Exercise of Options) shall be considered and approved by the Shareholders, the A Shareholders and the H Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively. The number of the Shares Options to be granted under the Overall Share Option Scheme shall not exceed 10% of the total share capital of the Company as at the date of approval of the Overall Share Option Scheme at a general meeting, and shall not exceed 10% of the total number of A Shares in issue of the Company on the same day.

Unless approved by a special resolution at the general meeting, the total number of ordinary A Shares involved in the shares options granted (including the share options that are exercised and outstanding) to any Participant through the Company's share option schemes within the validity period shall not exceed 1% of the total share capital of the Company as at the date of approval of the Overall Share Option Scheme at the general meeting, and shall not exceed 1% of the total number of A Shares in issue of the Company on the same day. The total accumulated number of the underlying shares involved in the share option schemes of the Company within the validity period shall not exceed 10% of the total share capital of the Company as at the date of consideration and approval of the Overall Share Option Scheme at the general meeting, and shall not exceed 10% of the total number of A Shares in issue of the Company on the same day. Each Share Option granted under the Overall Share Option Scheme is entitled to purchase an ordinary A Share of the Company at the Exercise Price during the Exercise Period provided that the effective conditions and the Effective Arrangement are fulfilled. Except as otherwise provided by the black-out requirements under the Overall Share Option Scheme, upon exercise of the Share Options granted under the Overall Share Option Scheme, the Shares obtained by the Participants through the Exercise of Options in accordance with the laws shall enjoy all rights and fulfil all obligations as the A Shareholders. The Share Option shall belong to the Participants themselves and cannot be transferred to others. The Participants have no rights to sell, transfer, guarantee, charge, pledge the Share Option, or use it as a debt repayment, or set an encumbrance thereon or set benefits in favour of a third party, or enter into any agreement on any of the above acts, nor have the right to promote or destroy the benefits of any third party directly or indirectly related to the Share Option.

LETTER FROM THE BOARD

3. *Exercise Period*

The validity period for the Exercise of Options granted for each phase under the Overall Share Option Scheme shall be determined by the Board. During the validity period for the Exercise of Options, subject to the satisfaction of the effective conditions under the Overall Share Option Scheme, the Participants may exercise their Share Options granted in tranches and in accordance with the arrangements set out in the table below. The Exercisable Date must be a trading day, but the right cannot be exercised within the following periods:

- a. within 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the annual report or interim report of the Company due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day immediately preceding the publication date;
- b. within 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- c. from the date of occurrence of any significant event which may have significant effect on the trading prices of the shares of the Company and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the disclosure thereof in accordance with laws;
- d. other periods as stipulated by the CSRC and the stock exchanges.

Tranche	Exercise Period	Exercise Ratio
First Exercise Period	Commencing from the first trading day after the expiration of the 24-month period (or two anniversaries) from the Grant Date and ending on the last trading day of the 36-month period from the Grant Date	1/3
Second Exercise Period	Commencing from the first trading day after the expiration of the 36-month period (or three anniversaries) from the Grant Date and ending on the last trading day of the 48-month period from the Grant Date	1/3
Third Exercise Period	Commencing from the first trading day after the expiration of the 48-month period (or four anniversaries) from the Grant Date and ending on the last trading day of the validity period of the Share Options from the Grant Date	1/3

LETTER FROM THE BOARD

If the effective conditions are not fulfilled during specific period, the Share Options for such period shall not be exercised or deferred to become exercisable in the next Exercise Period, and shall be cancelled by the Company. The part of the Options that fails to be exercised within each Exercise Period shall not be exercised at a later time. After the expiration of the current Exercise Period, all Share Options that have not been exercised shall lapse, and be revoked and cancelled by the Company.

Not less than 20% of the total Share Options granted to Directors and senior management of the Company can only be exercised until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period; or not less than 20% of the Company's Shares granted shall not be sold until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period after such Participant has exercised the Options.

4. *The Exercise Price of the Share Options and the Basis of Determination*

The Exercise Price of the Share Options shall be determined based on the fair market price principle.

For any Share Options granted with the A Shares of the Company as the subjects, the Exercise Price for the Grant shall be the higher of the followings:

- a. the average trading price of the A Shares of the Company for the last trading day preceding the date of the announcement of the draft and summary of the specific grant proposal formulated based on the Overall Share Option Scheme published on the website of the SSE;
- b. the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the draft and summary of the specific grant proposal formulated based on the Overall Share Option Scheme published on the website of the SSE;
- c. the unit par value of the A Shares of the Company, being RMB1.00.

5. *Conditions of the Grant and Effectiveness of the Share Options*

Pursuant to the Overall Share Option Scheme, the Grant of the Share Options to, or the Exercise of Options by, the Participants is conditional upon the fulfilment of certain conditions (including performance conditions) by the Company and the Participants. The details are also provided in the Appraisal Measures for Implementation of the Share Option Scheme and please refer to the Appendices I and II to this circular.

LETTER FROM THE BOARD

6. *Methods of Adjustment to the Number and Exercise Price of the Share Options*

The Company will adjust the number of the Share Options and the Exercise Price in the event of share capital transferred from capital reserve, share dividend, share subdivision or share consolidation, or rights issue before the Exercise of Options since the Grant Date. The details of such adjustments are set out in the section headed “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof — 7. Methods of and Procedures for Adjustment to the Number and Exercise Price of the Share Options” in Appendix I to this circular.

If the Company conducts a share consolidation or subdivision after adoption of the Overall Share Option Scheme, the maximum number of the Shares that may be issued upon exercise of all Options to be granted under the Overall Share Option Scheme as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

The Company further confirms that it will comply with the relevant requirements of the Listing Rules in all future adjustments to be made to the number of the Share Options and the Exercise Price.

7. *Conditions of Effectiveness of the Overall Share Option Scheme*

The draft of the Overall Share Option Scheme shall be formulated by the Remuneration Committee and submitted to the Board for consideration. It shall take effect upon Shareholders’ approval at the EGM and the Class Meetings after approval of the SASAC. The SASAC has approved the Overall Share Option Scheme in principle as at the Latest Practicable Date. For more details, please refer to the announcement of the Company dated 3 April 2020.

The Phase I Grant Proposal

In accordance with the Overall Share Option Scheme, the Company has formulated the Phase I Grant Proposal to issue the A Shares of the Company to the Participants. The purpose of the Phase I Grant Proposal is substantially the same as that of the Overall Share Option Scheme. Except for the special provisions set out in Appendix I to this circular, other major terms of the Phase I Grant Proposal are substantially consistent with the major terms of the Overall Share Option Scheme.

LETTER FROM THE BOARD

1. *Scope of the Participants of the Phase I Grant Proposal*

The Participants include the Directors and senior management members of the Company; heads and deputy heads of the departments at the headquarters and secondary subsidiary units of the Company; qualified heads and deputy heads of tertiary subsidiary units of the Company; qualified heads of level-four subsidiary units of the Company; and other core personnel. No payment shall be borne by the Participants for the application or receipt of the Share Options. The number of the abovementioned Participants shall not exceed 185, representing approximately 0.51% of the total number of staff in office. The Board is of the view that the adoption of the Phase I Grant Proposal will help the Company obtain long-term sustainable development and therefore recommends the Shareholders to approve the resolutions in relation to the Phase I Grant Proposal at the EGM and the Class Meetings.

2. *Number of the Shares Under the Phase I Grant Proposal*

The total number of the Share Options to be granted to the Participants under the Phase I Grant Proposal involves 73,930,100 A Shares, accounting for approximately 0.999% of the Company's total share capital of 7,400,803,875 Shares as at the time of the announcement on the Phase I Grant Proposal.

3. *Exercise Period*

During the validity period for the Exercise of Options, subject to the satisfaction of the effective conditions under the Phase I Grant Proposal, the Participants shall exercise their Share Options granted in tranches and in accordance with the arrangements set out in the table below. The Exercisable Date must be a trading day, but the right cannot be exercised within the following periods:

- a. within 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the annual report or interim report for special reasons, 30 days prior to the original date of publication and ending on one day preceding the date of publication;
- b. within 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- c. from the date of occurrence of any significant event which may have significant effect on the trading prices of the shares of the Company and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the disclosure in accordance with laws;
- d. other periods as stipulated by the CSRC and the stock exchanges.

LETTER FROM THE BOARD

Tranche	Exercise Period	Exercise Ratio
First Exercise Period	Commencing from the first trading day after the expiration of the 24-month period (or two anniversaries) from the Grant Date and ending on the last trading day of the 36-month period from the Grant Date	1/3
Second Exercise Period	Commencing from the first trading day after the expiration of the 36-month period (or three anniversaries) from the Grant Date and ending on the last trading day of the 48-month period from the Grant Date	1/3
Third Exercise Period	Commencing from the first trading day after the expiration of the 48-month period (or four anniversaries) from the Grant Date and ending on the last trading day of the 60-month period from the Grant Date	1/3

If the effective conditions are not fulfilled during specific period, the Share Options for such period shall not be exercised or deferred to become exercisable in the next Exercise Period, and shall be cancelled by the Company. The part of the Options that fails to be exercised within each Exercise Period shall not be exercised at a later time. After the expiration of the current Exercise Period, all Share Options that have not been exercised shall lapse, and be revoked and cancelled by the Company.

Not less than 20% of the total Share Options granted to the Directors and senior management members of the Company shall be exercised until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period; or not less than 20% of the Company's Shares granted shall not be sold until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period after such Participant has exercised the Options.

LETTER FROM THE BOARD

4. *The Exercise Price of the Share Options and the Basis of Determination*

The Exercise Price of the Share Options shall be determined based on the fair market price principle. The Exercise Price of the Share Options granted under the Phase I Grant Proposal is RMB4.23 per Share.

For any Share Options granted with the A Shares of the Company as the subjects, the Exercise Price for the Grant shall be the higher of the followings:

- a. the average trading price of the A Shares of the Company for the last trading day preceding the date of the announcement of the draft and summary of the Phase I Grant Proposal published on the website of the SSE, being RMB4.22;
- b. the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the draft and summary of the Phase I Grant Proposal published on the website of the SSE, being RMB4.23;
- c. the unit par value of the A Shares of the Company, being RMB1.00.

5. *Conditions of the Grant and Effectiveness of the Share Options*

Pursuant to the Phase I Grant Proposal, the Grant of the Share Options to, or the Exercise of Options by, the Participants is conditional upon the fulfilment of certain conditions (including performance conditions) by the Company and the Participants. The details are also provided in the Appraisal Measures for Implementation of the Share Option Scheme and please refer to Appendices I and II to this circular.

6. *Methods of Adjustment to the Number and Exercise Price of the Share Options*

The Company will adjust the number of the Share Options and the Exercise Price in the event of share capital transferred from capital reserve, share dividend, share subdivision or share consolidation, or rights issue before the Exercise of Options since the Grant Date. The details of such adjustments are set out in the section headed “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof — 7. Methods of and Procedures for Adjustment to the Number and Exercise Price of the Share Options” in Appendix I to this circular.

The Company further confirms that it will comply with the relevant requirements of the Listing Rules in all future adjustments to be made to the number of the Share Options and the Exercise Price.

LETTER FROM THE BOARD

7. *Conditions of Effectiveness of the Phase I Grant Proposal*

The draft of the Phase I Grant Proposal shall be formulated by the Remuneration Committee and submitted to the Board for consideration. It shall take effect upon Shareholders' approval at the EGM and Class Meetings after approval of the SASAC. The SASAC has approved the Phase I Grant Proposal in principle as at the Latest Practicable Date. For more details, please refer to the announcement of the Company dated 3 April 2020.

Implications under the Listing Rules

The Overall Share Option Scheme constitutes the share option scheme under Chapter 17 of the Listing Rules. Pursuant to Rule 14A.92(3)(a) of the Listing Rules, issue of new securities to connected persons of the Company is fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Li Guanpeng (the Chairman), Song Rong (the executive Director), Xiong Xianliang and Jiang Jian (the non-executive Directors) who are proposed Participants under the Phase I Grant Proposal have abstained from voting on the relevant Board resolutions in relation to the Overall Share Option Scheme and the Phase I Grant Proposal and/or the Grant to themselves.

As disclosed hereinabove and in Appendices I to II to this circular:

- a. by putting in place the following mechanism: (i) the Share Options granted will be locked up for 24 months from the Grant Date. During the Lock-up Period, the Share Options held by the Participants shall not be exercised; (ii) dividing the Exercise Period of the Share Options into three tranches, each lasting for one year commencing on the first trading day after the expiry of the 24th month, 36th month and 48th month from the Grant Date respectively; and (iii) where the Participants are resigned voluntarily or the engagement contracts are dismissed or terminated by the Company due to misconduct or violation of laws and regulations, the Share Options granted to the Participants but not yet vested and/or vested but not yet exercised shall immediately and automatically lapse as at the date of the termination of the employment contracts. The Overall Share Option Scheme and the Phase I Grant Proposal formulated thereon will help to retain talents and prolong their valuable services to the Company;
- b. by putting in place performance targets of the Company and of each Participant on which the Exercise of Options shall be conditional upon, the Participants are incentivized to deliver outstanding work performance to meet the targets of the individual performance assessment while as a whole the performance of the Company will have to be attained in order for any Share Options to be exercisable in the first place. In this regard, the interests of the Company and of the Participants as well as the Shareholders are therefore expected to be more aligned; and

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- c. by setting the Exercise Price no lower than the relevant prices prior to the announcement date of the relevant specific grant proposal formulated under the Overall Share Option Scheme, the Participants will be directed to attend to the long-term interests of the Company which would be reflected by the stock price, increasing the value of the Shareholders.

In view of the above, the terms of the Overall Share Option Scheme and the Phase I Grant Proposal formulated thereon and the Appraisal Measures for Implementation of the Share Option Scheme are expected to serve the purposes.

Since the Overall Share Option Scheme (including the Phase I Grant Proposal and any further specific grant proposal formulated based on the Overall Share Option Scheme) involve issuance of A Shares by the Company through non-public issuance, Chapter 17 and certain provisions of the Listing Rules are applicable to the Overall Share Option Scheme (including the Phase I Grant Proposal and any further specific grant proposal formulated based on the Overall Share Option Scheme). Meanwhile, the PRC laws and regulations concerning formulation of the Overall Share Option Scheme (including the Phase I Grant Proposal and any further specific grant proposal formulated based on the Overall Share Option Scheme) and the grant of the Share Options are also applicable.

Note (1) of Rule 17.03(9) of the Listing Rules requires that the exercise price of relevant share options must be at least the higher of: (i) the closing price of the securities on the date of granting the options; and (ii) the average closing price of the securities for the five business days preceding the date of granting the options. However, the relevant PRC laws and regulations require that the exercise price under share option schemes shall be the higher of: (i) the average trading price of the A shares on the trading day immediately preceding the date of announcement of the share option schemes; and (ii) the average trading price of the A shares for the 20, 60, or 120 trading days immediately preceding the date of announcement of the share option schemes. Since the Share Options to be granted under the Overall Share Option Scheme (including the Phase I Grant Proposal and any further specific grant proposal formulated based on the Overall Share Option Scheme) involve A Shares only, and that the Exercise Price must be determined based on the relevant PRC laws and regulations, the Company has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Note (1) of Rule 17.03(9) of the Listing Rules.

For details of the Exercise Price and the determination method, please refer to the above and sections headed “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof — 5. The Exercise Price of the Share Options and the Basis of Determination” and “II. Proposed Adoption of the Phase I Grant Proposal and the Principal Terms thereof — 6. The Exercise Price of the Share Options and the Basis of Determination” in Appendix I to this circular.

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Documents available for inspection

The copies of the Overall Share Option Scheme and the Phase I Grant Proposal and relevant documents are available for inspection at the Company's principal place of business in Hong Kong (address: Units F & G, 20/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) during normal business hours from the date hereof up to and including the date of the EGM and the Class Meetings.

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULES FOR GENERAL MEETINGS

In order to adapt to the latest revision of PRC laws, regulations and rules including the Official Reply of the State Council on Adjusting the Notice Period for the General Meeting of Shareholders and Other Matters Applicable to Companies Listed Abroad (Guo Han [2019] No.97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) and the Decision of the China Securities Regulatory Commission to Amend the Guidelines for the Articles of Association of Listed Companies ([2019] No.10) (《關於修改《上市公司章程指引》的決定》[2019]10號) and the actual situation of the Company, the Board proposes to seek the approval of the Shareholders in relation to the amendments to the Articles of Association and the Procedural Rules for General Meetings, the details of which are set out in the Appendix III and Appendix IV of this circular respectively. Save for the amendments set out in appendices, other provisions in the Articles of Association and the Procedural Rules for General Meetings remain unchanged.

IV. EGM, A SHAREHOLDERS' CLASS MEETING AND H SHAREHOLDERS' CLASS MEETING

The H Share register of members of the Company will be closed from 30 April 2020 to 1 June 2020 (both days inclusive), during which no transfer of H Shares will be registered. Any holders of H Shares whose names appear on the H Share register of members of the Company at 4:30 p.m. on 29 April 2020, are entitled to attend and vote at the EGM and/or the H Shareholders' Class Meeting of the Company after completing the registration procedures for attending the meeting. In order for the H Shareholders to be entitled to attend and vote at the EGM and/or the H Shareholders' Class Meeting, persons holding H Shares shall lodge share transfer documents and the relevant H Share certificates with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 29 April 2020.

The EGM will be convened and held at 3:00 p.m. on 1 June 2020 or immediately after the conclusion of the 2019 annual general meeting or any adjournment thereof held on the same date and at the same place at the 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing 100029, the PRC to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal; and (ii) the proposed amendments to the Articles of Association and the Procedural Rules for General Meetings.

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The H Shareholders' Class Meeting will be convened and held at 4:00 p.m. on 1 June 2020 or immediately after the conclusion of the EGM or any adjournment thereof held on the same date and at the same place at the 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing 100029, the PRC to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal; and (ii) the proposed amendments to the Articles of Association and the Procedural Rules for General Meetings. Except for the resolutions set out in this circular, the H Shareholders' Class Meeting will also consider and, if thought fit, approve the special resolution in relation to the general mandate for repurchasing H shares, the details of which are set out in the circular (the "**AGM Circular**") and the notice of the Company in relation to 2019 annual general meeting dated 17 April 2020.

Notice of the EGM (enclosed in this circular) and notice of the H Shareholders' Class Meeting (enclosed in the AGM Circular), together with the respective appropriate notices of attendance and proxy forms, are despatched to the Shareholders on 17 April 2020 and are available on the website of the Company and the website of the Hong Kong Stock Exchange. Shareholders who intend to attend the EGM and/or the H Shareholders' Class Meeting shall complete and return the notices of attendance in accordance with the instruction printed thereon on or before 12 May 2020. Shareholders who intend to appoint a proxy to attend the EGM and/or the H Shareholders' Class Meeting shall complete and return the enclosed forms of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM and/or the H Shareholders' Class Meeting or any adjournment of it, if you so wish.

Pursuant to the Administrative Measures, independent non-executive directors of a company whose securities are listed on the SSE or the Shenzhen Stock Exchange should solicit votes publicly from its shareholders on resolutions in relation to the adoption of the share incentive scheme. The purpose of such arrangement is to encourage the securities holders to participate in the voting on the resolutions on the adoption of the share incentive schemes by providing them with an additional way of participation in the meeting(s) of such securities holders. As the A Shares of the Company are listed and tradable on the SSE, the Independent Directors have nominated Ms. Li Qian to solicit on their behalf the Shareholders' votes on all resolutions in relation to the Overall Share Option Scheme and the Phase I Grant Proposal and the relevant matters to be tabled at the EGM and the Class Meetings. No solicitation is made on the other resolutions which are not related to the Overall Share Option Scheme and the Phase I Grant Proposal. Ms. Li Qian has for the abovementioned purpose prepared the proxy forms for appointing herself as a proxy at the EGM and the H Shareholders' Class Meeting respectively. Such proxy forms specific to the Independent Directors' solicitation of votes (the "**INED Proxy Forms**") were despatched together with the notices of the EGM and the H Shareholders' Class Meeting, the proxy forms, and the notices of attendance in respect of such meetings by the Company and also published and made available for downloading on

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the websites of the Hong Kong Stock Exchange and the Company. If you wish to appoint Ms. Li Qian as your proxy to vote on all resolutions in respect of the Overall Share Option Scheme and the Phase I Grant Proposal and the relevant matters at the EGM and/or the H Shareholders' Class Meeting, you are requested to complete and return the INED Proxy Forms in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be). If you wish to appoint persons other than Ms. Li Qian as your proxy to vote on all resolutions in respect of the Overall Share Option Scheme and the Phase I Grant Proposal and the relevant matters at the EGM and/or the H Shareholders' Class Meeting, you may complete and return the proxy forms only in accordance with the instructions printed thereon and disregard the INED Proxy Forms. Should you return both the proxy forms and the INED Proxy Forms and your voting instructions thereon are inconsistent, your voting instructions in the INED Proxy Forms shall prevail in relation to the resolutions on the Overall Share Option Scheme and the Phase I Grant Proposal and the relevant matters. Please refer to the meeting notices and the instructions imprinted on the INED Proxy Forms for details of the solicitation arrangement.

The Participants, who are the Shareholders, and their respective associates, are required to abstain from voting on the proposed resolutions in respect of the adoption of the Overall Share Option Scheme and the Phase I Grant Proposal and the relevant matters. As at the Latest Practicable Date, twelve of the Participants and their respective associates hold 479,000 H Shares and 485,350 A Shares in total and they shall abstain from voting in relation to the resolutions approving the Overall Share Option Scheme and the Phase I Grant Proposal. As some Participants hold positions in CMG and/or Sinotrans & CSC Holdings Co., Ltd., CMG and Sinotrans & CSC Holdings Co., Ltd. and their subsidiaries (collectively hold 4,062,193,639 A Shares and 107,183,000 H Shares as at the Latest Practicable Date), each having a connected relationship with the Participants, are considered as related Shareholders in accordance with the relevant PRC laws and regulations thus are required to abstain from voting at the resolutions in relation to the proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal and the relevant matters at the EGM and the Class Meetings. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, none of the Shareholders would be required to abstain from voting on the proposed resolutions at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

According to Rule 13.39(4) of the Listing Rules, all votes of the EGM and the H Shareholders' Class Meeting shall be taken by poll. An announcement on the poll results will be made by the Company after the EGM and the H Shareholders' Class Meeting in accordance with the Listing Rules.

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V. DIRECTORS' RECOMMENDATION

As stated above, resolutions will be proposed to approve, among others, (i) the proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal; and (ii) the proposed amendments to the Articles of Association and the Procedural Rules for General Meetings at the EGM and the Class Meetings, respectively.

In order to pass an ordinary resolution and a special resolution of the Company at its general meeting and relevant class meeting, it requires at least a simple majority and a two-thirds majority, respectively, of the votes held by Shareholders attending the relevant general meeting or class meeting in person or by proxy (and entitled to vote) being voted in favour of the relevant resolution.

The Board (including the Independent Directors) considers that (i) the proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal; and (ii) the proposed amendments to the Articles of Association and the Procedural Rules for General Meetings are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Directors) recommends the Shareholders and the H Shareholders respectively to vote in favour of the relevant resolutions to be proposed at the EGM and the H Shareholders' Class Meeting.

VI. 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,
By order of the Board of
Sinotrans Limited
Li Shichu
Company Secretary

I. PROPOSED ADOPTION OF THE OVERALL SHARE OPTION SCHEME AND THE PRINCIPAL TERMS THEREOF

1. Purpose of the Overall Share Option Scheme

To closely relate the interests of the Shareholders to those of the Directors, senior management members and core personnel of the Company by virtue of the equity incentive, which will in turn facilitate the maximization of Shareholder's value and promote the maintenance and appreciation of value of state-owned assets; to form a benefit-sharing and risk-pooling mechanism among the Shareholders, the Company and its employees by establishing a long-term incentive mechanism, so as to fully arouse the enthusiasm of the Directors, senior management members, professional talents and core personnel of the Company, and to build a stable core management and professional personnel team; and to ensure the Company's capacity in providing a payroll package competitive enough to attract, retain and inspire the management personnel and professional talents that are required by the Company to achieve its strategic objectives in the talent market.

2. Basis for Determining the Participants and Scope of the Participants

(1) Basis for determining the Participants

The scope of the Participants shall be determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures for Implementing Equity Incentive Plans by State-controlled Listed Companies (Domestic) (《國有控股上市公司(境內)實施股權激勵試行辦法》) and the Notice on Issues concerning Regulating the Implementation of the Equity Incentive System 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》) and relevant laws, administrative regulations, normative documents, and the Articles of Association.

(2) Scope of the Participants

In principle, the Participants shall be limited to in-service Directors, senior management members and core management and personnel with expertise who are of direct significance in respect of the Company's operating results and sustainable development, and the scope shall not be expanded at will.

The Participants shall not include the supervisors, the Independent Directors and any Shareholder or actual controller individually or jointly holding more than 5% of the shares of the Company and their respective spouse, parents and children. Management members in the listed company's state-owned controlling shareholders holding positions in the listed company are allowed to participate in the equity incentive schemes, but shall only participate in the equity incentive scheme of one listed company. Persons who shall not become the Participants under the provisions of the Administrative Measures shall not participate.

3. Source and Number of the Shares Under the Overall Share Option Scheme***(1) Source of the shares***

The source of the underlying shares under the Overall Share Option Scheme shall be A Shares of the Company to be directly issued to the Participants through non-public issuance.

(2) Number of the shares

The number of the Shares Options to be granted under the Overall Share Option Scheme shall not exceed 10% of the total share capital of the Company as at the date of approval of the Overall Share Option Scheme at the general meeting, and shall not exceed 10% of the total number of A Shares in issue of the Company on the same day.

Unless approved by a special resolution at the general meeting, the total number of ordinary A Shares involved in the share options granted (including the share options that are exercised and outstanding) to any Participant through the Company's share option schemes within the validity period shall not exceed 1% of the total share capital of the Company as at the date of approval of the Overall Share Option Scheme at the general meeting, and shall not exceed 1% of the total number of A Shares in issue of the Company on the same day. The total accumulated number of the underlying shares involved in the share option schemes of the Company within the validity period shall not exceed 10% of the total share capital of the Company as at the date of consideration and approval of the Overall Share Option Scheme at the general meeting, and shall not exceed 10% of the total number of A Shares in issue of the Company on the same day. Each Share Option granted under the Overall Share Option Scheme is entitled to purchase an ordinary A Share of the Company at the Exercise Price during the Exercise Period provided that the effective conditions and the Effective Arrangement are fulfilled. Except as otherwise provided by the lock-up requirements under the Overall Share Option Scheme, upon exercise of the Share Options granted under the Overall Share Option Scheme, such Shares obtained by the Participants through the Exercise of Options in accordance with the laws shall enjoy all rights and fulfil all obligations as the A Shareholders. The Share Option shall belong to the Participants themselves and cannot be transferred to others. The Participants have no rights to sell, transfer, guarantee, charge, pledge the Share Option, or use it as a debt repayment, or set an encumbrance thereon or set benefits in favour of a third party, or enter into any agreement on any of the above acts, nor have the right to promote or destroy the benefits of any third party directly or indirectly related to the Share Option.

4. Validity Period of the Overall Share Option Scheme, Validity Period for the Exercise of Options, the Grant Date, the Lock-up Period, the Exercise Period and the Exercisable Date and the Black-out Period

(1) Validity period of the Overall Share Option Scheme

The Overall Share Option Scheme will be effective after being considered and approved at the general meeting upon approval by the SASAC for a term of ten years commencing from the date of the approval of the Overall Share Option Scheme at the general meeting.

(2) Validity period for the Exercise of Options

The validity period for the Exercise of Options granted for each phase under the Overall Share Option Scheme shall be determined by the Board. Upon the expiry of relevant validity period, the outstanding Share Options shall automatically lapse and cannot be exercised retroactively. The validity period for the Exercise of Options includes Lock-up Period and the Exercise Period of each tranche of the Share Options.

(3) Grant Date

The Grant Date will be determined by the Board after the Overall Share Option Scheme is considered and approved at the general meeting. The Grant Date must be a trading day, subject to the following:

- a. If the Participants include the Director or senior management member of the Company, no Share Option may be granted during (i) 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 publication date of the relevant announcement); (ii) 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 publication date of the relevant announcement); and (iii) the period commencing from 10 days immediately preceding the publication date of the Company's announcement of results forecast and preliminary results; and

- b. 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: (i) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and (ii) 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 (including the publication date of the relevant announcement).

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

The Board shall grant the Share Options to eligible Participants and complete relevant procedures of announcement and registration within 60 days upon the consideration and approval of the specific grant proposal formulated based on the Overall Share Option Scheme at the general meeting and the fulfilment of grant conditions. In the event of failure in completing the procedures mentioned above within such 60 days, the Board shall disclose the reasons for such failure in due course by making an announcement, terminate the implementation of the specific grant proposal formulated based on the Overall Share Option Scheme, and the specific grant proposal formulated based on the Overall Share Option Scheme shall not be proposed for consideration within three months from the date of such announcement, and the Share Options not yet granted shall lapse.

(4) *Lock-up Period*

The Lock-up Period is 24 months from the Grant Date of the Share Options, during which the Share Options granted to the Participants under the Overall Share Option Scheme shall not be exercised.

(5) *Exercise Period and Exercisable Date*

During the validity period for the Exercise of Options, subject to the satisfaction of the effective conditions under the Overall Share Option Scheme, the Participants may exercise their Share Options granted in tranches and in accordance with the arrangements set out in the table below. The Exercisable Date must be a trading day, but the right cannot be exercised within the following periods:

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

- b. within 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- c. from the date of occurrence of any significant event which may have significant effect on the trading prices of the shares of the Company and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the disclosure thereof in accordance with laws;
- d. other periods as stipulated by the CSRC and the stock exchanges.

Tranche	Exercise Period	Exercise Ratio
First Exercise Period	Commencing from the first trading day after the expiration of the 24-month period (or two anniversaries) from the Grant Date and ending on the last trading day of the 36-month period from the Grant Date	1/3
Second Exercise Period	Commencing from the first trading day after the expiration of the 36-month period (or three anniversaries) from the Grant Date and ending on the last trading day of the 48-month period from the Grant Date	1/3
Third Exercise Period	Commencing from the first trading day after the expiration of the 48-month period (or four anniversaries) from the Grant Date and ending on the last trading day of the validity period of the Share Options from the Grant Date	1/3

If the effective conditions are not fulfilled during specific period, the Share Options for such period shall not be exercised or deferred to become exercisable in the next Exercise Period, and shall be cancelled by the Company. The part of the Options that fails to be exercised within each Exercise Period shall not be exercised at a later time. After the expiration of the current Exercise Period, all Share Options that have not been exercised shall lapse, and be revoked and cancelled by the Company.

Not less than 20% of the total Share Options granted to Directors and senior management of the Company can only be exercised until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period; or not less than 20% of the Company's Shares granted shall not be sold until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period after such Participant has exercised the Options.

(6) *Black-out Period*

Black-out period refers to the time span during which the Shares the Participants acquired through the Exercise of Options are restricted from being disposed of. The black-out period of the Overall Share Option Scheme shall be in compliance with the Company Law, the Securities Law and other relevant laws, administrative regulations, departmental rules, normative documents and the Articles of Association as amended from time to time. Details of current applicable regulations are set out as follows:

- a. Where a Participant is a Director or a member of the senior management of the Company, the number of shares of the Company which may be transferred by the Participant each year during his/her term of office shall not exceed 25% of the total number of the shares of the Company held by him/her; No shares of the Company held by him/her shall be transferred within half a year after his/her termination of office;
- b. Where a Participant is a Director or a member of the senior management of the Company and he/she disposes of any shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains.

5. The Exercise Price of the Share Options and the Basis of Determination

The Exercise Price of the Share Options shall be determined based on the fair market price principle.

For any Share Options granted with the A Shares of the Company as the subjects, the Exercise Price for the Grant shall be the higher of the followings:

- a. the average trading price of the A Shares of the Company for the last trading day preceding the date of the announcement of the draft and summary of the specific grant proposal formulated based on the Overall Share Option Scheme published on the website of the Shanghai Stock Exchange;
- b. the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the draft and summary of the specific grant proposal formulated based on the Overall Share Option Scheme published on the website of the Shanghai Stock Exchange;
- c. the unit par value of the A Shares of the Company, being RMB1.00.

6. Conditions of the Grant and Effectiveness of the Share Options

(1) Conditions of the Grant of the Share Options

The Share Options shall only be granted to the Participants by the Company as per the Overall Share Option Scheme when the following conditions are fulfilled by the Company and the Participants:

(a) There is no occurrence of any of the followings in respect of the Company:

- a. occurrence of issuance of the auditors' report containing an adverse opinion or disclaimer of opinion by a certified public accountant on the financial and accounting report of the Company for the latest accounting year;
- b. occurrence of issuance of the auditors' report containing an adverse opinion or disclaimer of opinion by a certified public accountant on the internal control of the Company in its financial report for the latest accounting year;
- c. circumstances under which the Company fails to distribute profits in accordance with relevant laws and regulations, the Articles of Association or any undertaking publicly made within the latest 36 months after listed on a stock exchange;
- d. circumstances under which equity incentive is prohibited to be implemented under applicable laws and regulations;
- e. circumstances under which equity incentive is prohibited to be implemented by the CSRC;
- f. such other circumstances under which equity incentive is prohibited to be implemented by the Shanghai Stock Exchange.

(b) There is no occurrence of any of the followings in respect of the Participant:

- a. such Participant has failed individual performance assessment for the financial year immediately preceding the Grant of the Share Options under the Appraisal Measures for Implementation of the Share Option Scheme;
- b. such Participant is deemed as an inappropriate candidate by the Shanghai Stock Exchange in the last 12 months;

- c. such Participant is deemed as an inappropriate candidate by the CSRC or its derived agencies in the last 12 months;
 - d. such Participant is imposed by the CSRC or any of its derived agencies with administrative penalties or measures prohibiting accessing into the market in the last 12 months by reason of material violation of laws and regulations;
 - e. such Participant is prohibited by the Company Law from acting as a Director or a member of the senior management of the Company;
 - f. such Participant is prohibited by the applicable laws and regulations from participating in an equity incentive of listed companies; and
 - g. such other circumstances as determined by the CSRC.
- (c) Operating results requirements: the Grant of the Share Options shall be implemented only when the audited financial data for the financial year prior to such Grant have met the prescribed operating results requirements. The Board shall have the rights to set specific performance indicators and targets as supplementary conditions for the Grant of the Share Options according to the specific condition of the Company's business, and to determine whether to execute the Grant of the Share Options in view of the fulfilment of such performance constraints.

Where the Company fails to fulfil the conditions of the Grant, no Share Options shall be granted by the Company as per the Overall Share Option Scheme; where any Participant fails to fulfil the conditions of the Grant, no Share Options shall be granted to such Participant by the Company as per the Overall Share Option Scheme. No payment shall be borne by the Participants for the application or receipt of the Share Options.

(2) *Conditions of effectiveness of the Share Options*

The Share Options granted by the Company to the Participants under the Overall Share Option Scheme shall come into effect in part or in full when the following conditions are fulfilled by the Company and the Participants:

- (a) There is no occurrence of any of the circumstances in respect of the Company as set out in item (a) of "I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 6. Conditions of the Grant and Effectiveness of the Share Options – (1) Conditions of the Grant of the Share Options" in this appendix.

- (b) There is no occurrence of any of the circumstances in respect of the Participant as set out in item (b) of “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 6. Conditions of the Grant and Effectiveness of the Share Options – (1) Conditions of the Grant of the Share Options” in this appendix.
- (c) Operating results requirements: operating results requirements shall be set forth in the specific grant proposals formulated under the Overall Share Option Scheme based on the future growth in the operating results of the Company. The Share Options to be granted shall take effect as per a predetermined exercisable proportion during each valid year only when the performance targets and supplementary conditions are fulfilled. The Board shall have the rights to set specific performance indicators and targets as supplementary conditions for the effectiveness of the Share Options. The Board shall determine the specific performance restraints when granting the Share Options and inform the employees of the same. Once determined, such performance restraints shall not be modified at will. In case of any exceptional circumstance where modification is actually required, approval of the state asset supervision and administration department shall be obtained.

In the event that any of the effective conditions of the Share Options is not fulfilled in any year during the Exercise Period, the Exercise of Options shall not be conducted or postponed to the next Exercise Period, with relevant Share Options concerned being cancelled by the Company.

7. Methods of and Procedures for Adjustment to the Number and Exercise Price of the Share Options

(1) Adjustment to the number of the Share Options

From the Grant Date of the Share Options, in the event of share capital transferred from capital reserve, share dividend, share subdivision, share consolidation or rights issue of the Company prior to any Exercise of Options, the number of the Share Options shall be adjusted accordingly. The adjustment methods shall be determined by the Board as authorized at the general meeting in accordance with relevant laws and regulations, and shall basically comprise the following in principle:

- a. Share capital transferred from capital reserve, share dividend, share subdivision

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

Where: Q0 represents the number of the Share Options prior to adjustment; n represents the ratio of increase per share resulting from share capital transferred from capital reserve, share dividend or share subdivision (i.e. the number of increased share(s) per share upon share capital transferred from capital reserve, share dividend or share subdivision); and Q represents the number of the Share Options after adjustment.

- b. Share consolidation

$$Q = Q0 \times n$$

Where: Q0 represents the number of Share Options prior to the adjustment; n represents the ratio of share consolidation (i.e. one share of the Company be consolidated into n shares); and Q represents the number of Share Options after the adjustment.

- c. Rights issue

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

Where: Q0 represents the number of the Share Options prior to adjustment; P1 represents the closing price of the Share Options on the record date; P2 represents the subscription price in respect of the rights issue; n represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); and Q represents the number of Share Options after adjustment.

(2) *Adjustment to the Exercise Price*

From the Grant Date of the Share Options, in the event of cash dividend distribution, share capital transferred from capital reserve, share dividend, share subdivision, share consolidation or rights issue of the Company prior to any Exercise of Options, the Exercise Price shall be adjusted accordingly. The adjustment methods shall be determined by the Board as authorized at the general meeting in accordance with relevant laws and regulations, and shall basically comprise the following in principle:

- a. Share capital transferred from capital reserve, share dividend, share subdivision

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

Where: P0 represents the Exercise Price of the Share Options prior to the adjustment; n represents the ratio of increase per share resulting from the share capital transferred from capital reserve, share dividend or share subdivision; and P represents the Exercise Price after the adjustment.

- b. Share consolidation

$$P = P0 \div n$$

Where: P0 represents the Exercise Price prior to the adjustment; n represents the ratio of share consolidation; and P represents the Exercise Price after the adjustment.

- c. Rights issue

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

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

- d. Cash dividend distribution

$$P = P0 - V$$

Where: P0 represents the Exercise Price prior to the adjustment; V represents the dividend per share; and P represents the Exercise Price after the adjustment.

- (3) *In the event of issue of new shares by the Company, the number of the Share Options and the Exercise Price will not be adjusted.***

(4) Procedures for adjustment to the number and Exercise Price of Share Options

The Board may be authorized at the general meeting to make adjustments to the number and the Exercise Price of the Share Options based on the considerations as set out in the Overall Share Option Scheme. The Company shall engage legal advisers to give professional advice to the Board regarding whether such adjustments are in compliance with relevant laws and regulations, the Articles of Association and the requirements under the Overall Share Option Scheme. Announcement shall be released in a timely manner after any adjustment of the Exercise Price or the number of the Share Options by the Board in accordance with the aforementioned provisions. Where adjustments are required to be made to the number of the Share Options, the Exercise Price or other terms for any other reasons, such adjustments shall be resolved by the Board and be considered and approved at the general meeting.

8. Procedures of Amendments to or Termination of the Overall Share Option Scheme

(1) Procedures of amendments to the Overall Share Option Scheme

The Company is entitled to make amendments to the Overall Share Option Scheme prior to the approval of the Overall Share Option Scheme at the general meeting, the proposed amendments shall be subject to the approval of the Board.

If the Company proposes any amendments after the approval of the Overall Share Option Scheme at the general meeting, an announcement shall be made in a timely manner and the proposed amendments shall be submitted to the general meeting for consideration, and the proposed amendments shall not:

- a. result in acceleration in the Exercise of Options or early termination of black-out period;
- b. reduce the Exercise Price or price of the Grant of the Share Options.

The Independent Directors and the supervisory committee shall express independent opinion(s) on whether the amended 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 legal advisers shall provide a professional opinion on whether the amended scheme is in compliance with the Administrative Measures and relevant laws and regulations and whether there exist circumstances where the interests of the Company and the Shareholders as a whole would be prejudiced.

Nevertheless, the following amendments will only be validated upon approval at the general meetings. The amendments include:

- a. Transfer of the Share Options;
- b. Restrictions on the scope of the Share Options to be granted;
- c. Restrictions on the number of the Share Options to be granted (other than adjustments due to share capital transferred from capital reserve, share dividend, share subdivision, share consolidation or rights issue, etc.);
- d. Restrictions on the Exercise of Options;
- e. Rights of the Participants of the Share Options on the winding-up of the Company;
- f. Adjustment to the Exercise Price of the Share Options (other than adjustments due to share capital transferred from capital reserve, share dividend, share subdivision, share consolidation or rights issue, etc.);
- g. Exercise Period of the Share Options (or any specific period) or the period of the Overall Share Option Scheme;
- h. Any terms substantially favourable to the Participants.

If relevant laws, regulations, agreements or the stock exchanges require that approval must be obtained from the general meeting and/or the stock exchanges for making certain amendments to the Overall Share Option Scheme, the Board shall obtain such approval before making such amendments.

With respect to the Participants who have been granted with Share Options under the Overall Share Option 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 Overall Share Option Scheme.

(2) Procedures of termination of the Overall Share Option Scheme

The Overall Share Option Scheme shall automatically terminate after 10 years from the date on which the Overall Share Option Scheme is approved at the general meeting.

In case of any of the following circumstances of the Company, the Overall Share Option Scheme will be terminated accordingly. The granted Share Options that have not been exercised shall not be exercised by the Participants any more and shall be cancelled by the Company:

- a. occurrence of issuance of the auditors' report containing an adverse opinion or disclaimer of opinion by a certified public accountant on the financial and accounting report of the Company for the latest accounting year;
- b. occurrence of issuance of the auditors' report containing an adverse opinion or disclaimer of opinion by a certified public accountant on the internal control of the Company in its financial report for the latest accounting year;
- c. circumstances under which the Company fails to distribute profits in accordance with relevant laws and regulations, the Articles of Association or any undertaking publicly made within the latest 36 months after listed on a stock exchange;
- d. circumstances under which equity incentive is prohibited to be implemented under applicable laws and regulations;
- e. circumstances under which equity incentive is prohibited to be implemented by the CSRC.

During the validity period for the Exercise of Options of the Overall Share Option Scheme, the Board may, if it deems necessary, propose a resolution to the general meeting for the early termination of the Overall Share Option Scheme. In the event the general meeting decides to terminate the Overall Share Option Scheme earlier, the Company shall cease to grant any Share Options pursuant to the Overall Share Option Scheme. Unless otherwise stated, the Share Options granted prior to the termination of the Overall Share Option Scheme shall remain valid and continue to be exercisable pursuant to the provisions thereof.

If the Company proposes to terminate the Overall Share Option Scheme prior to the consideration of the Overall Share Option Scheme at the general meeting, such termination shall be considered and approved by the Board. If the Company proposes to terminate the Overall Share Option Scheme after the consideration and approval of the Overall Share Option Scheme at the general meeting, such termination shall be considered and decided at the general meeting.

If the termination of the Overall Share Option Scheme is considered and approved at the general meeting or by the Board, the Overall Share Option Scheme shall not be considered again in three months after the date of announcement of such resolution.

9. Arrangements for Special Occasions of the Company or the Participants

(1) Arrangements for special occasions of the Company

- (a) In case of any of the following circumstances of the Company, the state-owned controlling shareholders shall exercise shareholder's rights in accordance with the laws by proposing to cancel the exercisable Options for the current year and terminate the implementation of the Overall Share Option Scheme. Upon consideration and approval by the Board, no new Options shall be granted to the Participants nor can the Participants exercise Options or receive incentive income in accordance with the Overall Share Option Scheme within one year after the resolution of the Board takes effect:
 - a. failure to engage the auditors to conduct auditing work in accordance with the relevant regulations and requirement;
 - b. issuance of the auditors' report containing an adverse opinion or disclaimer of opinion by a certified public accountant with respect to the annual financial report;
 - c. the organisation discharging the responsibilities of contributor, the supervisory committee or the audit department raising significant objections to the business performance or the annual financial report of the Company;
 - d. imposition of administrative penalties by securities regulatory or other relevant authorities due to material non-compliance.
- (b) In case of change in control, merger or spin-off of the Company, the exercisable Share Options having been granted to Participants shall remain unchanged and the exercise of the exercisable Share Options having been granted shall not be accelerated.
- (c) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for the Exercise of Options, the Participants concerned shall return to the Company all interests gained through the Overall Share Option Scheme from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements or misleading statements or material omissions.

(2) *Arrangements for special occasions of the Participants*

- (a) In case of any of the following circumstances in relation to a Participant, the state-owned controlling shareholders of the Company shall exercise shareholder's rights in accordance with the law by proposing to cease the grant of new Options, disqualify the Participant to exercise the exercisable Options and recover the gain of such Participant from the Overall Share Option Scheme:
 - a. the results of the economic responsibility audit, etc. 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;
 - c. having, during his/her tenure of office, involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets of the Company, related party transactions and other unlawful acts and misconducts, which harm the interest and reputation of the Company and cause significant negative impact to the Company, thereby resulting in loss to the Company.
- (b) If the employment relationship between the Company and a Participant is rescinded or terminated as a result of objective reasons such as relocation, retirement, death or civil incapacitation, for the Share Options granted to him/her:
 - a. Share Options that are not exercisable will, in principle, lapse immediately from the date of the abovementioned circumstance;
 - b. The exercisable Share Options can continue to be exercised within six months from the date of the abovementioned circumstance;
 - c. If a Participant deceases, the exercise rights for the exercisable Share Options that have not been exercised shall continue to be retained from the date of the occurrence of the circumstance, and shall be exercised by his/her designated heir or lawful heir within six months. His/her Share Options that are not exercisable shall be invalidated.
- (c) If a Participant voluntarily resigns or is dismissed or terminated by the Company due to negligence, disciplinary or illegal acts, the Share Options that have been granted to the Participant and are not exercisable and/or that are exercisable but have not been exercised shall lapse automatically and immediately.

For any matters not covered in the above provisions, the Company shall determine the treatment method pursuant to relevant laws and regulations.

II. PROPOSED ADOPTION OF THE PHASE I GRANT PROPOSAL AND THE PRINCIPAL TERMS THEREOF

In accordance with the Overall Share Option Scheme, the Company has formulated the Phase I Grant Proposal to issue the A Shares of the Company to the Participants. The purpose and major terms of the Phase I Grant Proposal are substantially the same as those of the Overall Share Option Scheme. The special provisions are set out as below:

1. Scope of the Participants

The Participants under the Phase I Grant Proposal include: the Directors and senior management members of the Company; heads and deputy heads of the departments at the headquarters and secondary subsidiary units of the Company; qualified heads and deputy heads of tertiary subsidiary units of the Company; qualified heads of level-four subsidiary units of the Company; and other core personnel.

The number of the abovementioned Participants shall not exceed 185, representing approximately 0.51% of the total number of in-service staff.

2. Number of the Shares to be Granted

The total number of the Share Options to be granted to the Participants under the Phase I Grant Proposal involves 73,930,100 A Shares, accounting for 0.999% of the Company's total share capital of 7,400,803,875 Shares as at the time of the announcement of the Phase I Grant Proposal.

3. Allocation of the Share Options

The Expected Return of the Share Options granted to each Participant shall be limited within 30% of his/her total salary level at the time of the Grant.

The allocation of the Share Options proposed to be granted among the Participants under the Phase I Grant Proposal is set out below:

Name	Position	Number of shares (‘0,000 A Shares/ Person)	Percentage over total number of shares granted	Percentage over total share capital of the Company
Li Guanpeng	Chairman Executive Director,	109.26	1.48%	0.015%
Song Rong	President	109.26	1.48%	0.015%
Xiong Xianliang	Non-executive Director	109.26	1.48%	0.015%
Jiang Jian	Non-executive Director	109.26	1.48%	0.015%
Chen Xianmin	Vice President	81.94	1.11%	0.011%
Wu Xueming	Vice President	81.94	1.11%	0.011%
Tian lei	Vice President	71.02	0.96%	0.010%
Chen Hairong	Vice President	71.02	0.96%	0.010%
Wang Jiuyun	Chief Financial Officer	65.55	0.89%	0.009%
Li Shichu	Board Secretary	65.55	0.89%	0.009%
Gao Xiang	Chief Digital Officer	76.48	1.03%	0.010%
Subtotal		950.54	12.86%	0.128%
Total other Participants (174 persons)		6,442.47	87.14%	0.871%
Total (185 persons)		7,393.01	100%	0.999%

Note: Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

The Phase I Grant Proposal, including but not limited to the proposed allocation of the Grant as set out above, has been approved by the Remuneration Committee and has been made available for review and opinion of the Independent Directors and the supervisory committee. Proposed Grant to each of the above-mentioned Directors (Mr. Li Guanpeng, Mr. Song Rong, Mr. Xiong Xianliang and Mr. Jiang Jian) has been approved by the Independent Directors in compliance with Rule 17.04(1) of the Listing Rules.

4. Validity Period of the Phase I Grant Proposal and Validity Period for the Exercise of Options

The Phase I Grant Proposal shall not be implemented until being considered and approved at the general meeting upon approval by the SASAC. The Phase I Grant Proposal shall lapse automatically at the expiry of ten years after the date of its approval at the general meeting.

The Share Options under the Grant shall be exercisable for a term of five years commencing from the Grant Date. Share Options not yet exercised shall be cancelled after 5 years from the Grant Date.

5. The Exercise Period and the Exercisable Date

During the validity period for the Exercise of Options, subject to the satisfaction of the effective conditions under the Phase I Grant Proposal, the Participants shall exercise their Share Options granted in tranches and in accordance with the arrangements set out in the table below. The Exercisable Date must be a trading day, but the right cannot be exercised within the following periods:

- a. within 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the annual report and interim report for special reasons, 30 days prior to the original date of publication and ending on one day preceding the date of publication;
- b. within 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- c. from the date of occurrence of any significant event which may have significant effect on the trading prices of the stock of the Company and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the disclosure in accordance with laws;
- d. other periods as prescribed by the CSRC and the stock exchanges.

Tranche	Exercise Period	Exercise Ratio
First Exercise Period	Commencing from the first trading day after the expiration of the 24-month period (or two anniversaries) from the Grant Date and ending on the last trading day of the 36-month period from the Grant Date	1/3
Second Exercise Period	Commencing from the first trading day after the expiration of the 36-month period (or three anniversaries) from the Grant Date and ending on the last trading day of the 48-month period from the Grant Date	1/3
Third Exercise Period	Commencing from the first trading day after the expiration of the 48-month period (or four anniversaries) from the Grant Date and ending on the last trading day of the 60-month period from the Grant Date	1/3

If the effective conditions are not fulfilled during specific period, the Share Options for such period shall not be exercised or deferred to become exercisable in the next Exercise Period, and shall be cancelled by the Company. The part of the Options that fails to be exercised within each Exercise Period shall not be exercised at a later time. After the expiration of the current Exercise Period, all Share Options that have not been exercised shall lapse, and be revoked and cancelled by the Company.

Not less than 20% of the total Share Options granted to the Directors and senior management members of the Company shall be exercised until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period; or not less than 20% of the Company's Shares granted shall not be sold until the Participant passed the performance evaluation after the expiration of the term of office (or appointment) following the expiration of the Lock-up Period after such Participant has exercised the Options.

6. The EXERCISE Price of the Share Options and the Basis of Determination

The Exercise Price of the Share Options shall be determined based on the fair market price principle. The Exercise Price of the Share Options granted under the Phase I Grant Proposal is RMB4.23 per share.

For any Share Options granted with the A Shares of the Company as the subjects, the Exercise Price for the Grant shall be the higher of the followings:

- a. the average trading price of the A Shares of the Company for the last trading day preceding the date of the announcement of the draft and summary of the Phase I Grant Proposal published on the website of the Shanghai Stock Exchange, being RMB4.22;
- b. the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the draft and summary of the Phase I Grant Proposal published on the website of the Shanghai Stock Exchange, being RMB4.23;
- c. the unit par value of the A Shares of the Company, being RMB1.00.

7. Conditions of the Grant and Effectiveness of the Share Options

(1) Conditions of the Grant of the Share Options

The Share Options shall only be granted to the Participants by the Company as per the Phase I Grant Proposal when the following conditions are fulfilled by the Company and the Participants:

- (a) There is no occurrence of any of the circumstances in respect of the Company as set out in item (a) of “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 6. Conditions of the Grant and Effectiveness of the Share Options – (1) Conditions of the Grant of the Share Options” in this appendix.
- (b) There is no occurrence of any of the circumstances in respect of the Participants as set out in item (b) of “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 6. Conditions of the Grant and Effectiveness of the Share Options – (1) Conditions of the Grant of the Share Options” in this appendix.
- (c) Operating results requirements:
 - a. The Company’s return on equity (“**ROE**”) attributable to owners of the Company for 2018 shall be no less than 10% and the 50th percentile of peer benchmarking companies of the same period;
 - b. The Company’s compound growth rate of net profit attributable to owners of the Company for 2018 over the results of 2015 shall be no less than 9.5% and the 50th percentile of peer benchmarking companies of the same period;
 - c. The Company’s economic value added (“**EVA**”) for 2018 shall reach the target assigned by CMG.

Note:

The ROE attributable to owners of the Company = the net profits attributable to owners of the Company for the period / [(net assets attributable to owners of the Company at the beginning of the period + net assets attributable to owners of the Company at the end of the period) / 2] ;

The compound growth rate of net profit attributable to owners of the Company = (net profit attributable to owners of the Company for the period / net profit attributable to owners of the Company for the benchmarking year)^(1/number of interval period) - 1.

A total of 17 companies with comparable business models and scale in the same industry around the world as well as those with comparable business models and scale in the A share transportation industry were selected as the peer benchmarking companies.

Where the Company fails to fulfil the conditions of the Grant, no Share Options shall be granted by the Company as per the Phase I Grant Proposal; where any Participant fails to fulfil the conditions of the Grant, no Share Options shall be granted to such Participant by the Company as per the Phase I Grant Proposal. No payment shall be borne by the Participants for the application or receipt of the Share Options.

(2) Conditions of effectiveness of the Share Options

The Share Options granted by the Company to the Participants under the Phase I Grant Proposal shall come into effect in part or in full and Share Options granted to the Participants shall be exercisable only when the following conditions are fulfilled by the Company and the Participants:

- (a) There is no occurrence of any of the following circumstances in respect of the Company as set out in item (a) of “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 6. Conditions of the Grant and Effectiveness of the Share Options – (2) Conditions of effectiveness of the Share Options” in this appendix.
- (b) There is no occurrence of any of the following circumstances in respect of a Participant as set out in item (b) of “I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 6. Conditions of the Grant and Effectiveness of the Share Options – (2) Conditions of effectiveness of the Share Options” in this appendix.
- (c) Operating results requirements: operating results requirements have been be set forth in the Phase I Grant Proposal based on the future growth in the operating results of the Company. The Share Options to be granted shall take effect as per the Effective Arrangement when the performance targets are all fulfilled and provided that the Company is not caught in any circumstance where no effect shall be enabled under the requirements of the SASAC and the CSRC. Specific effective conditions are as follows:

- a. The operating results of the Company shall meet the following criteria:

Performance indicators	Effective conditions of the first tranche	Effective conditions of the second tranche	Effective conditions of the third tranche
ROE attributable to owners of the Company	The ROE attributable to owners of the Company for the preceding financial year shall be no less than 11.4% and the 75th percentile of peer benchmarking companies of the same period when the first tranche becomes exercisable	The ROE attributable to owners of the Company for the preceding financial year shall be no less than 11.6% and the 75th percentile of peer benchmarking companies of the same period when the second tranche becomes exercisable	The ROE attributable to owners of the Company for the preceding financial year shall be no less than 11.8% and the 75th percentile of peer benchmarking companies of the same period when the third tranche becomes exercisable

Performance indicators	Effective conditions of the first tranche	Effective conditions of the second tranche	Effective conditions of the third tranche
Compound growth rate of net profit attributable to owners of the Company	The compound growth rate of net profit attributable to owners of the Company for the preceding financial year shall be no less than 9.75% and the 75th percentile of peering benchmark companies of the same period when the first tranche becomes exercisable, compared with the results of the financial year immediately preceding the Grant	The compound growth rate of net profit attributable to owners of the Company for the preceding financial year shall be no less than 10.25% and the 75th percentile of peer benchmarking companies of the same period when the second tranche becomes exercisable, compared with the results of the financial year immediately preceding the Grant	The compound growth rate of net profit attributable to owners of the Company for the preceding financial year shall be no less than 10.5% and the 75th percentile of peer benchmarking companies of the same period when the third tranche becomes exercisable, compared with the results of the financial year immediately preceding the Grant
EVA	The EVA for the preceding financial year shall reach the target assigned by CMG when the first tranche becomes exercisable	The EVA for the preceding financial year shall reach the target assigned by CMG when the second tranche becomes exercisable	The EVA for the preceding financial year shall reach the target assigned by CMG when the third tranche becomes exercisable

Note: 1. During the validity period of the Share Options under the Phase I Grant Proposal, if the Company has changes in net assets and net profits arising from additional issuance, allotment of shares, profits and losses from changes of fair value and other matters, the changes in net assets and net profits arising from such matter shall be excluded from the appraisal; In order to maintain the same benchmarking caliber, the influence of changes in profits and losses of fair value is excluded when calculating the net assets and net profits of the benchmarking sample; 2. If the principal business of the peer benchmarking companies changes or there is a significant impact on the result indicators due to the reorganization, the benchmarking sample will be removed; 3. If the above situation occurs, the Board shall remove or replace the relevant peer benchmarking companies or adjust the calculated value of relevant indicators of the peer benchmarking companies as authorized by the general meeting.

- b. The relationship between the individual performance appraisal results of the Participants and the proportion of the Exercise of Options is set out as followings:

Achievement of annual performance of individuals/appraisal results	Actual exercisable percentage of Share Options of individuals
Good and above	100%
Qualified	80%
Unqualified	0

8. Accounting Treatments in respect of the Phase I Grant Proposal

According to the provisions of Accounting Standards for Business Enterprises No.11 – Share-based Payments and Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, the Company will measure and calculate the costs of the Share Options of the Company according to the accounting treatments set out below:

- a. Accounting treatment on the Grant Date: as the Share Options have not been exercised as at the Grant Date, no relevant accounting treatments are required.
- b. Accounting treatment on the Lock-up Period: on each balance sheet date during the Lock-up Period, the Company will, based on the optimally estimated number of exercisable Share Options, recognise income from services as relevant capital costs or expenses for the current period, and as other capital reserves under capital reserves at the same time according to the fair value of the Share Options as at the Grant Date.
- c. Accounting treatment after the Exercisable Date: no adjustment will be made to the costs and expenses and the entire owner's rights already recognised.
- d. Accounting treatment on the Exercise Date: share capital and premium of share capital will be recorded based on the exercise, and “capital reserve – other capital reserve” will be carried forward accordingly.

(1) Fair value of the Share Options and its basis of determination

The Company will select the International Black-Scholes Option Pricing Model (the “B-S Model”) to evaluate the fair value of Share Options in accordance with Accounting Standards for Business Enterprises No.11 – Share-based Payments and Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments issued by the Ministry of Finance and the requirements of the SASAC.

The fair value of each Share Option amounted to RMB0.84 by preliminarily calculating the pricing model and each data on 23 March 2020. Parameters were as follows:

- a. fair market price: RMB3.36 (being the closing price of A Shares on 23 March 2020)
- b. the Exercise Price: RMB4.23 (being the Exercise Price determined by the Board based on the regulations of the CSRC and the SASAC)
- c. expected period: 3.5 years (expected period=(weighted expected period + total validity period)/2, which means expected period= $1/3 \times [(2+3)+(3+4)+(4+5)]/2=3.5$ years)
- d. expected volatility: 41.55% (being the historical volatility of price of the A Shares since the listing of the A Shares)
- e. risk-free interest rate: 2.18% (being the interest rate of the national debt with same expected period as the Share Options)
- f. expected dividend rate: 0% (according to valuation principles and the regulatory requirements of the SASAC, if a share option scheme has stipulated the principle for adjustment to the exercise price after distribution of dividends, the expected dividend rate will no longer be considered in the fair value valuation and 0% will be used as an input)

As the valuation results on the value of the Share Options herein are obtained based on assumptions of the above parameters and are subject to the valuation model adopted, the results may involve subjective views and uncertainties and therefore, such valuation results shall not be referred to as basis of accounting treatments. The fair value of the Share Options to be used in cost calculation needs to be calculated afresh by collecting the instant market data on the Grant Date upon the actual completion of the Grant.

(2) Amortization of expenses for the Share Options and impact on the operating results of the Company

According to the Accounting Standards for Business Enterprises No.11—Share-based Payments, during the Lock-up Period of the Share Options, costs of the Share Options to be granted under the Phase I Grant Proposal shall be accounted for as costs or expenses and capital reserves based on the optimally estimated number of the Share Options exercised according to the fair value as at the Grant Date. Thus, the amortization of the costs of Share Options will affect the operating results of the Company.

According to the preliminary estimates of data on 23 March 2020, the total value of 73,930,100 Share Options proposed to be granted under the Phase I Grant Proposal represents total incentive costs of RMB62.101 million, which is supposed to be borne by the Company. The costs are not the actual costs arising from the grant of the Share Options. Such costs will be fully amortized within 48 months from the Grant Date, and amortization amount for each period is as follows assuming that the Share Options will be granted in June 2020:

Unit: RMB0'000

Year	2020	2021	2022	2023	2024	Total
Cost to be amortised	1,308.7	2,242.5	1,638.5	804.9	215.5	6,210.1

Considering the estimation of number of the Share Options to be exercised and the prediction of fair value of the Share Options as at the Grant Date, there may be difference between the total costs of the Share Options currently estimated and those after the actual Grant. The actual costs will be re-evaluated based on the actual share price, fluctuation range and other parameters at the Grant Date determined by the Board, and then confirmed by the auditors.

The incentive costs incurred under the Phase I Grant Proposal will be itemized in recurring gains and losses. Based on the current situation, without considering the stimulating effect of the Phase I Grant Proposal on the Company's performance, the amortization of costs incurred under the Phase I Grant Proposal is expected to affect the Company's net profits for each year during the validity period of the Share Options, but such impact will not be significant.

9. Procedures of Amendments to or Termination of the Phase I Grant Proposal

(1) Procedures of amendments to the Phase I Grant Proposal

If the Company proposes any amendments prior to the approval of the Phase I Grant Proposal by the Shareholders at the general meeting, the proposed amendments shall be subject to the approval of the Board. The specific procedures are substantially the same as what stated in section headed "I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 8. Procedures of Amendments to or Termination of the Overall Share Option Scheme – (1) Procedures of amendments to the Overall Share Option Scheme".

(2) Procedures of termination of the Phase I Grant Proposal

The Phase I Grant Proposal shall lapse automatically at the expiry of ten years after the date of its approval at the general meeting. The specific procedures are substantially the same as what stated in section headed "I. Proposed Adoption of the Overall Share Option Scheme and the Principal Terms thereof – 8. Procedures of Amendments to or Termination of the Overall Share Option Scheme – (2) Procedures of termination of the Overall Share Option Scheme".

In order to accelerate the strategic transformation and promote business innovation and expansion, facilitate the maximization of shareholder value and value preservation and appreciation of state-owned assets, consummate corporate governance, deepen the reform of remuneration system, attract and retain key talents needed to achieve the Company's strategic goals, and accelerate the realization of the Company's long-term strategic goals through the establishment of a long-term incentive mechanism, Sinotrans Limited ("Sinotrans" or the "Company") has formulated the Share Option Incentive Scheme of Sinotrans Limited (Draft) (《中國外運股份有限公司股票期權激勵計劃(草案)》) (the "Share Option Scheme" or the "Scheme"). In order to ensure the smooth implementation of the abovementioned Share Option Scheme after approval by relevant authorities, the implementation appraisal measures have been prepared for the grant pursuant to the Share Option Scheme in accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Trial Measures for Implementing Equity Incentive Plans by State-controlled Listed Companies (Domestics) (《國有控股上市公司(境內)實施股權激勵試行辦法》) and the Notice on Issues concerning Regulating the Implementation of the Equity Incentive System 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》) as promulgated by the SASAC, and relevant laws, administrative regulations and normative documents as promulgated by the CSRC including the Measures for the Administration of Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) and based on the actual conditions of the Company.

I. GENERAL PROVISIONS

(I) Purposes

The purposes are to further improve the Company's incentive and restraint mechanism to provide a reasonable and effective appraisal basis for the recognition of the qualifications of the Participants of the Share Option Scheme and a basis for linking the grant and exercise of share options and the actual exercisable proportion of share options granted to individuals with performance, to guarantee the smooth implementation of the Share Option Scheme, and to play the incentive role of the Share Option Scheme to the greatest extent, thereby realizing the sustainable development of the Company and bringing more efficient and sustainable returns to shareholders.

(II) Principles

The appraisal must adhere to the principles of impartiality, fairness and openness, and shall be objectively conducted in strict compliance with these measures and based on the work performance of the Participants, so as to realize the close linkage between the Share Option Scheme and the performance and behavior of the Participants.

(III) Appraised Targets

These measures are applicable to all the Participants as determined in the Share Option Scheme.

II. MANAGEMENT ORGANIZATION AND RESPONSIBILITIES

- (I) The Board is responsible for formulating and amending these 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 of the Company is responsible for the implementation of the appraisal with the authorization of the Remuneration Committee, and the Remuneration Committee shall guide and supervise the appraisal process.
- (IV) The performance management working group of the Company is responsible for the collection and provision of the relevant appraisal data, and is responsible for the authenticity and reliability of the appraisal data.

III. APPRAISAL SYSTEM**(I) Appraisal contents**

- 1. Company level: performance indicators that reflect returns to the Shareholders, performance indicators that reflect the Company's sustainable growth ability, and performance indicators that reflect the Company's operation quality;
- 2. Individual level of Participants: work performance and behavior of any of the appraised targets; the Directors and senior management of the Company must also be subject to audit on economic responsibility.

(II) Appraisal indicators

1. Company level. For the peer benchmarking companies for the Phase I Grant Proposal, a total of 17 international peer companies with comparable business model and scale and A-share companies with comparable business model and scale in the transportation industry are selected. The effective conditions for the performance indicators of the Phase I Grant Proposal (the “**Effective Conditions**”) are as follows:

Performance indicators	Effective Conditions of the first tranche	Effective Conditions of the second tranche	Effective Conditions of the third tranche
Return on equity (ROE) attributable to owners of the Company	The ROE attributable to owners of the Company for the preceding financial year shall be no less than 11.4% and the 75th percentile of peer benchmarking companies of the same period when the first tranche becomes exercisable	The ROE attributable to owners of the Company for the preceding financial year shall be no less than 11.6% and the 75th percentile of peer benchmarking companies of the same period when the second tranche becomes exercisable	The ROE attributable to owners of the Company for the preceding financial year shall be no less than 11.8% and the 75th percentile of peer benchmarking companies of the same period when the third tranche becomes exercisable
Compound growth rate of net profit attributable to owners of the Company	The compound growth rate of net profit attributable to owners of the Company for the preceding financial year shall be no less than 9.75% and the 75th percentile of peer benchmarking companies of the same period when the first tranche becomes exercisable, compared with the results of the financial year immediately preceding the Grant	The compound growth rate of net profit attributable to owners of the Company for the preceding financial year shall be no less than 10.25% and the 75th percentile of peer benchmarking companies of the same period when the second tranche becomes exercisable, compared with the results of the financial year immediately preceding the Grant	The compound growth rate of net profit attributable to owners of the Company for the preceding financial year shall be no less than 10.5% and the 75th percentile of peer benchmarking companies of the same period when the third tranche becomes exercisable, compared with the results of the financial year immediately preceding the Grant
Economic value added (EVA)	The EVA for the preceding financial year shall reach the target assigned by CMG when the first tranche becomes exercisable	The EVA for the preceding financial year shall reach the target assigned by CMG when the second tranche becomes exercisable	The EVA for the preceding financial year shall reach the target assigned by CMG when the third tranche becomes exercisable

The peer benchmarking companies for subsequent grants, performance indicators, and exercise conditions for performance indicators shall be determined according to relevant grant proposals.

2. Individual level of Participants

- (1) The Directors and senior management of the Company: appraisal by the appraisal indicators and relevant requirements prescribed in the Provisions on Performance Appraisal of Senior Management under the Management of China Merchants Group Limited (《招商局集團管理的高級管理人員績效考核規定》);
- (2) Heads and deputy heads of the departments at the headquarters and secondary subsidiary units of the Company: In accordance with the Measures for Administration of Organizational Performance of Sinotrans Limited (《中國外運股份有限公司組織績效管理辦法》), the Measures for Administration of Performance of the Leading Group of the Subsidiary Companies of Sinotrans Limited (《中國外運股份有限公司所屬公司領導班子績效管理辦法》) and the Measures for Administration of Performance Appraisal of the Headquarters (總部績效考核管理辦法), the appraisal indicators for the heads and deputy heads of the departments at the headquarters and secondary subsidiary units of the Company include basic indicators, strategic indicators, and competency and attitude indicators;
- (3) Qualified heads and deputy heads of tertiary subsidiary units and heads of level-four subsidiary units of the Company: In accordance with the provisions under the Measures for Administration of Organizational Performance of Sinotrans Limited, the performance appraisal indicators for them shall be set by the secondary subsidiary units in accordance with business characteristics, responsibilities and development directions, etc., with reference to the performance appraisal indicators assigned by superior companies.

(III) Performance levels and evaluation standards

1. The Directors and senior management of the Company: the levels and evaluation standards of performance appraisal shall be determined in accordance with the Provisions on Performance Appraisal of Senior Management under the Management of China Merchants Group Limited;
2. Heads and deputy heads of the departments at the headquarters and secondary subsidiary units of the Company: the levels and evaluation standards of performance appraisal shall be determined in accordance with the Measures for Administration of Organizational Performance of Sinotrans Limited and the Measures for Administration of Performance of the Leading Group of the Subsidiary Companies of Sinotrans Limited;
3. Qualified heads and deputy heads of tertiary subsidiary units and heads of level-four subsidiary units of the Company: the levels and evaluation standards of performance appraisal shall be determined by the secondary subsidiary units in accordance with the Measures for Administration of Organizational Performance of Sinotrans Limited.

(IV) Appraisal process

1. The performance appraisal shall be performed once a year;
2. The performance management working group of the Company shall be responsible for specific implementation of the performance appraisal by conducting appraisal based on the status of completion of annual work performance targets and the performance of the appraised persons and form the annual performance appraisal results. In particular, the annual appraisal results of the Directors and senior management of the Company and the economic responsibility audit results shall be reported to the Remuneration Committee for filing.

(V) Application of appraisal results

When the Company's performance meets the Effective Conditions for share options, and the granted share options meet the time schedule for exercise, the actual exercisable percentage of share option granted to individual Participants will be determined within the scope of the exercisable share options granted to the individuals in this tranche and based on the annual performance appraisal results of the individuals. The specific linkage method is shown in the table below:

Achievement of annual performance of individuals/appraisal results	Actual exercisable percentage of share options of individuals
Good and above	100%
Qualified	80%
Unqualified	0

If the individual annual performance level of a Participant for a certain exercise period is qualified or above, his/her current performance fulfils the Effective Conditions, and upon fulfilment of the other effective conditions, he/she can apply for the exercise of actual exercisable share options for the current period; if the individual annual performance level of a Participant is unqualified, his/her current performance does not meet fulfil the Effective Conditions, and he/she will be disqualified to exercise the share options for the period;

For Directors and senior management of the Company, in case of untrue operating performance, loss of state-owned assets, dereliction of duty in operation management and major violations of laws and disciplines found in the economic responsibility audit during their term of office, the share options granted to them (including those that have not become exercisable and those that have become exercisable and not been exercised) shall all be invalidated; the income from the exercised share options granted to them shall be turned over to the Company.

(VI) Management of appraisal results**1. *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.

2. *Feedback of the appraisal results*

The appraised persons are entitled to know their appraisal results. The Remuneration Committee or the human resources department shall inform the appraised persons of the appraisal results within 30 business days after the end of the appraisal.

IV. SUPPLEMENTARY PROVISIONS

These measures shall take effect from the date of issuance. The Board shall be responsible for the interpretation and amendment of these measures.

Details of proposed amendments to the Articles of Association are set out as follows, with amendments underlined :

(I) ARTICLE 10 IS PROPOSED TO BE AMENDED AS:

“Other senior management” referred to in these Articles of Association mean the Company’s vice presidents, financial controllers, chief digital officer, IT directors and board secretary and the general counsel.

(II) ARTICLE 13 IS PROPOSED TO BE AMENDED AS:

The operation objectives of the Company are: customers oriented, by adopting the market-oriented approach, and in reliance on the network and the information technology, to provide safe, fast, accurate, economic, convenient and satisfactory integrated logistic service and supply chain management service, thereby maximizing the shareholders’ interests.

The Company has implemented the development concepts of innovation, coordination, green, openness and sharing, so as to safeguard the legitimate rights of shareholders and ensure they are treated fairly, proactively fulfill its social responsibility, respect the basic rights and interests of stakeholders and effectively enhance the overall value of the enterprise. The Company is active in practicing the concept of green development to integrate ecological and environmental protection requirements into the development strategy and corporate governance process, and proactively participate in ecological civilization construction, thereby play a demonstrating and leading role in pollution prevention, resource conservation, ecological protection and other aspects.

The Company has implemented the strategy of administering the country according to laws, strengthened the legal construction and compliance management of enterprises, and established the general counsel system, in order to guarantee the Company operates in compliance with laws and regulations and maintains the sustainable and healthy development.

(III) ARTICLE 35 IS PROPOSED TO BE AMENDED AS:

The Company may in accordance with provisions of laws, administrative regulations, departmental rules, listing rules of the place where the Company is listed and the Articles of Association repurchase its shares in the following circumstances:

- (i) reducing the registered capital of the Company;
- (ii) merging with another company or other companies which holds the shares of the Company;
- (iii) utilizing shares in employee stock ownership plan or as equity incentives;

- (iv) repurchasing the shares upon request of its shareholders who vote against resolutions at a general meeting in connection with a merger and division of the Company;
- (v) utilizing shares for conversion of convertible bonds issued by the Company which are convertible into shares; and
- (vi) as required for maintenance of the Company's value and shareholders' rights and interests.

Save for the abovementioned circumstances, the Company may not purchase ~~engage in trading of~~ its own shares.

(IV) ARTICLE 49 IS PROPOSED TO BE AMENDED AS:

If the laws, administrative regulations, rules of regulatory authorities, other normative rules and the securities regulatory authorities located at the places where the Company's shares are listed stipulate the period of closure of the register of shareholders prior to a shareholders' general meeting or the reference date set by the Company for the purpose of distribution of dividends, such provisions shall apply.

~~No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days prior the date of a shareholders' general meeting or within five (5) days prior the reference date set by the Company for the purpose of distribution of dividends. If separate provisions are stipulated by the laws, administrative regulations, rules of regulatory authorities, other normative rules and the securities regulatory authorities located at the places where the Company's shares are listed, such provisions shall apply.~~

(V) ARTICLE 79 IS PROPOSED TO BE AMENDED AS:

When the Company convenes a shareholders' annual general meeting, written notice of the meeting shall be given at least 20 clear business days ~~forty-five (45) days (including the date of the meeting)~~ before the date of the meeting; when the Company convenes an extraordinary general meeting, written notice of the meeting shall be given at least 10 clear business days or 15 days (whichever is longer) before the date of the meeting. ~~Such notice shall~~ to notify all of the shareholders in the shareholders' register of the matters to be considered at the meeting and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to the Company within the time limits specified in the notice. ~~twenty (20) days before the date of the meeting.~~

In calculating the notice period, the date of issue of notice and date of meeting shall be excluded. The aforementioned business day shall mean the date on which the Hong Kong Stock Exchange is open for the business of dealing in securities.

(VI) ARTICLE 80 IS PROPOSED TO BE AMENDED AS:

~~Both annual general meetings and extraordinary general meetings shall not decide on matters which are not specified in the notice. Based on the written replies received by the Company 20 days prior to the date of a shareholders' general meeting, the Company shall calculate the number of voting shares represented by the shareholders who have indicated their intention to attend the meeting. Where the number of the shares represented by those shareholders is more than half of the total number of the Company's voting shares, the Company may convene the shareholders' general meeting. Otherwise, the Company shall within 5 days inform the shareholders again of the matters to be considered, the date and the venue of the meeting by way of a public announcement. After making the announcement, the shareholders' general meeting may be convened.~~

~~An extraordinary general meeting shall not decide on matters which are not specified in the notice.~~

(VII) ARTICLE 82 IS PROPOSED TO BE AMENDED AS:

Notices of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by hand or prepaid mail to their addresses as shown in the shareholders' register. For the holders of domestic shares, notices of the general meetings may be issued by way of public announcement.

The public announcement for the shareholders of domestic shares stated in the previous paragraph shall be published in one or more newspapers designated by the State Council authorities in ~~charge~~ change of securities ~~within the period between forty-five (45) days and fifty (50) days before the date of the meeting.~~ Upon the publication of such announcement, the holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

For shareholders of H shares, the general meeting notice can be delivered or provided in other means stated in Chapter 21 of the Articles of Association, subject to the laws and regulations and listing rules of the jurisdiction where the shares of the Company are listed.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive the notice shall not invalidate the resolutions adopted at that meeting.

(VIII) ARTICLE 134 IS PROPOSED TO BE AMENDED AS:

A written notice of a class shareholders' meeting shall be sent out ~~forty-five (45) days (including the day of such meeting)~~ prior to the convening of a class shareholders' meeting in accordance with the time limits for notice of an extraordinary general meeting as stipulated in Article 79 of the Articles of Association to notify all of the relevant class shareholders on the register of the matters to be considered, the date and the place of such meeting. A shareholder who intends to attend such meeting shall deliver his written reply concerning his attendance at such meeting to the Company ~~twenty (20) days before the date of such meeting~~ within the time limits specified in the notice.

~~If the number of shares carrying voting rights at the meeting represented by the class shareholders who intend to attend the meeting reaches more than one half of the total voting rights of that particular class of shares, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders again by public announcement of the matters to be considered, the date and the place of the meeting. After such public announcement is made, the Company may convene the class shareholders' meeting.~~

(IX) ARTICLE 137 IS PROPOSED TO BE AMENDED AS:

The directors shall be elected or replaced at a shareholders' general meeting, and can be dismissed by the general meeting of shareholders before expiry of the current term of office. ~~The directors to serve a term of 3 years, and may serve consecutive terms if re-elected.~~

The term of office of a Director commences on the date of assuming office and ends at the expiry of the current term of office of the Board of Directors. Where a director has not been timely re-elected at the expiry of the term of office or where a director has resigned during the term of office resulting that the number of the members in the board falls below the quorum, the original director shall perform his/her duties as a director, prior to the assumption by the re-elected director, in accordance with the laws, administrative regulations and rules of regulatory authorities as well as the provisions of these Articles of Association.

~~The general meeting may not remove a director from office without cause before the expiration of his or her term of office. However, subject to relevant laws and administrative regulations, the~~ The general meeting may remove any director by an ordinary resolution (but without prejudice to any claim for damages that such director may have under any contract) before the end of his term of office subject to relevant laws and administrative regulations.

The chairman and the vice chairman of the Board shall be elected or removed by a majority of the board directors. The chairman and the vice chairman shall serve a term of 3 years, and may serve consecutive terms if re-elected.

The external directors shall have sufficient time and the necessary knowledge and ability to perform their duties. When the external directors perform their duties, the Company must provide the necessary information. The independent directors may directly report any matter to the shareholders' general meetings, the securities regulatory authority of the State Council and other relevant authorities.

The president and other senior officers may concurrently serve as directors provided that the total number of directors concurrently serving as president and other senior officers shall not exceed one-half of the total number of directors of the Company.

The executive directors shall handle such matters as entrusted by the Board.

Directors shall not necessarily hold any shares of the Company.

(X) ARTICLE 143 IS PROPOSED TO BE AMENDED AS:

The Company establishes the Board of Directors, which is accountable to the general meeting. Board of directors consists of eleven (11) directors, of which external directors (referring to directors who do not hold a post in the Company, the same below) shall account for over half of the total directors and there shall be at least 3 independent directors which shall account for no less than one third of the total directors.

The Board of Directors consists of one chairman and one vice chairman, all of which shall be elected by a simple majority of votes of all directors.

The Board of Directors shall set up the audit committee, the remuneration committee and the nomination committee, and to meet needs, the executive committee, the strategy committee and relevant specialized committees. The specialized committees shall be responsible to the Board of Directors and shall perform their duties as stipulated in the Articles of Association and as authorized by the Board of Directors. Proposals shall be submitted to the Board of Directors for consideration and approval. All members of the specialized committees shall be directors, and independent directors shall account for the majority of members of the audit committee, the nomination committee and the remuneration committee, and shall serve as the chairmen. The chairman of the audit committee shall be an accounting professional. The Board of Directors shall be responsible for formulating the rules of procedures for the specialized committees to regulate their operations. To meet needs, the Board of Directors shall set up specialized committees such as executive committee, audit committee, remuneration committee, nomination committee, and strategy committee, which are authorized by the Board of Directors to assist it with performing duties.

~~Duties of all specialized committees shall be finalized through resolutions of the Board of Directors in accordance with applicable laws, administrative regulations, and regulatory documents. The Board of Directors shall separately draw up rules of procedure for specialized committees of Board of Directors.~~

(XI) ARTICLE 144 IS PROPOSED TO BE AMENDED AS:

The Board is accountable to the shareholders' general meeting and shall exercise the following powers:

- (i) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders' general meeting;
- (ii) to implement the resolutions of the shareholders' general meetings;
- (iii) to decide on the Company's business plans and investment plans;
- (iv) to formulate the Company's annual budget and final financial accounts;
- (v) to formulate the Company's profit distribution plan and plan for making up losses;
- (vi) to formulate plans for the Company's proposals for increases or reductions of its registered capital and the issue of and listing of corporate debentures or other securities;
- (vii) to draft plans for material acquisition, share repurchase, merger, division, dissolution or change in corporate form;
- (viii) to determine matters relating to the Company's external investment, asset acquisition and disposal, asset pledge, asset management mandate, related party transactions and external guarantee within the authorisation of the general meeting;
- (ix) to determine the establishment of the Company's internal management structure;
- (x) to appoint or dismiss the Company's president and the secretary of the Board; and pursuant to the president's nominations to appoint or dismiss the vice presidents, the chief financial officer, the chief digital officer, the general counsel ~~and the chief information technology officer~~ and other senior officers of the Company and decide on their remuneration rewards and penalties;
- (xi) to establish the Company's basic management system, including basic compliance management system;
- (xii) to formulate proposals for any amendment to the Company's Articles of Association;
- (xiii) to deal with information disclosure of the Company;

- (xiv) to propose to the general meeting for appointment or replacement of the accounting firms serving as the auditors of the Company;
- (xv) to receive work report submitted by the president, to review his performance and to appraise effectiveness of the compliance management of the Company;
- (xvi) to exercise other duties and powers specified in the laws, administrative regulations, rules of regulatory authorities, listing rules of the stock exchange(s) on which the Company is listed or the Articles of Association and conferred by the shareholders at general meetings.

Matters beyond the scope authorized by the general meeting shall be submitted to the general meeting for consideration.

Except the Board's resolutions in respect of the matters specified in the above items (vi), (vii) and (xii), which shall be passed by two-thirds or more of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the directors unless otherwise expressly specified in the listing rules of the jurisdiction where the Company is listed or the Articles of Association.

No resolution on any related party connected transaction of the Company shall be valid unless it is signed by the independent directors.

(XII) ARTICLE 155 IS PROPOSED TO BE AMENDED AS:

Meetings of the Board of Directors shall be held only if half or more than half of the Directors (including the directors who are appointed in writing as the proxies of other directors pursuant to Article 156 herein) are present. Each Director shall have one vote. The Board may pass resolutions only upon a majority vote of all the Directors shareholders attended in the meeting unless otherwise provided in the Articles of Association. Where the number of votes cast for and against a resolution is equal, the chairman of the Board of Directors shall have a casting vote.

The supervisors may attend the meetings of the Board of Directors as non-voting participants, and the president and the secretary of the Board of Directors who do not hold the concurrent post of the director shall attend the meetings of the Board of Directors as non-voting participants. The general counsel shall attend the meeting as a non-voting participant and give legal opinions in case of any legal issues involved in the deliberation of the board of directors. When the Chairman of the Board of Directors deems necessary, other relevant persons may be notified to attend the meetings of the Board of Directors as non-voting participants.

(XIII) ARTICLE 165 IS PROPOSED TO BE AMENDED AS:

The Company shall have one president, who shall be appointed or dismissed by the Board.

The Company shall have certain vice presidents, a chief financial officer, a chief digital officer ~~information technology officer~~, a general counsel and certain senior officers (based on the needs of work), who shall assist the president in his work. The vice presidents, the chief financial officer, the chief digital officer ~~and the chief information technology officer~~, the general counsel and other senior officers shall be nominated by the president and appointed or dismissed by the Board.

The term of office of the president is three (3) years, renewable upon re-election.

Persons assuming administrative offices other than director and supervisor in the controlling shareholder of the Company shall not serve as senior officers of the Company. ~~Senior officers of the Company shall not assume administration offices other than director and supervisor in the controlling shareholder and in the de facto controller, except as exempted or approved by the CSRC.~~

The Company shall enter into engagement contracts with the senior officers to clarify the rights and obligations between both parties. The appointment and dismissal of senior officers shall comply with the statutory procedures, and be disclosed in a timely manner.

(XIV) ARTICLE 166 IS PROPOSED TO BE AMENDED AS:

The president shall be accountable to the Board and exercise the following powers:

- (i) to be in charge of the Company's operation and management and to organize the implementation of the resolutions of the Board, and to report to the Board;
- (ii) to organize the implementation of the Company's annual business plan and investment plan;
- (iii) to sign contracts and agreements on the Company's behalf and to sign off the documents in connection with the routine administrative work;
- (iv) to draft plans for the establishment of a internal management organization in the Company; and pursuant to the needs of the operation, to decide on the general adjustments to the internal structure of the Company;
- (v) to draft the Company's basic management system;
- (vi) to formulate basic rules and regulations for the Company;
- (vii) to propose the appointment or dismissal of the Company's vice president(s), the chief financial officer, the chief digital officer ~~and the chief information technology officer~~, the general counsel and other senior officers;

(viii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; and

(ix) to exercise other powers conferred by the Articles of Association and the Board.

(XV) ARTICLE 170 IS PROPOSED TO BE AMENDED AS:

The president, the vice president, the chief financial officer, the board secretary, the chief digital officer ~~the chief information technology officer~~, the general counsel and other senior officers, in performing their functions and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and these Articles of Association. If the senior officers of the Company violates the laws or breaches the Articles of Association in the course of performing duties, which causes losses to the Company, the senior officers shall be liable for damages.

(XVI) ARTICLE 171 IS PROPOSED TO BE AMENDED AS:

Directors, president, vice president, chief financial officer, the board secretary, the chief digital officer, ~~IF-director~~ the general counsel and other senior officers of the Company shall not serve concurrently as supervisors.

(XVII) ARTICLE 174 IS PROPOSED TO BE AMENDED AS:

The Company shall have a Supervisory Committee. The Supervisory Committee is a standing supervisory organization of the Company. It shall supervise the Board, its members, the president, the vice president, the chief financial officer, the chief digital officer, ~~the chief information technology officer~~ the general counsel and the board secretary and prevent them from abusing their powers and infringing the legal rights and interests of the shareholders, the Company and the Company's employees.

Details of proposed amendments to the Procedural Rules for General Meetings are set out as follows, with amendments underlined :

(I) ARTICLE 15 IS PROPOSED TO BE AMENDED AS:

When the Company convenes ~~Before calling an annual~~ general meeting, the Company shall issue a written notice at least 20 clear business ~~45~~ days before the general meeting is held (~~inclusive of the date of the meeting~~), while a notice shall be given at least 10 clear business days or 15 days (whichever is longer) before the date of an extraordinary general meeting, informing all the registered shareholders of the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, within 20 days prior to the day on which the meeting is to be held within the time limits specified in the notice, serve a written reply on the Company stating that they will attend the meeting.

In calculating the notice period, the date of issue of notice and date of meeting shall be excluded. The aforementioned business day shall mean the date on which the Hong Kong Stock Exchange is open for the business of dealing in securities.

~~Based on the written replies received 20 days before the date of the general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within 5 days, inform the shareholders again of the matters to be considered and the date and place of the meeting by way of a public announcement. After making such announcement, the Company may hold the general meeting.~~

An extraordinary general meeting shall not decide on the matters not stated in the notice. Both annual general meetings and extraordinary general meetings shall not decide on matters which are not specified in the notice.

(II) ARTICLE 66 IS PROPOSED TO BE AMENDED AS:

When the Company is to hold a class shareholders' meeting, it shall issue a written notice ~~45 days~~ (inclusive of the date of the meeting) prior to the meeting informing all the registered shareholders of that class of the matters to be considered and the date and place of the meeting in accordance with the time limits for notice of an extraordinary general meeting as stipulated in Article 15 of the Procedural Rules for General Meetings. Shareholders who intend to attend the meeting shall, ~~within 20 days prior to the meeting~~ within the time limits specified in the notice, serve a written reply on the Company stating that they will attend the meeting.

~~If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within 5 days, inform the shareholders again of the matters to be considered and the date and place of the meeting in the form of a public announcement. After such announcement is made, the Company may hold the class shareholders' meeting.~~

(III) ARTICLE 74 IS PROPOSED TO BE AMENDED AS:

These Rules shall be adopted by the resolution passed at the general meeting and come into force as of the date when the general meeting approved ~~the Company's A-shares are listed on SSE~~ as an appendix to the Articles of Association.

NOTICE OF 2020 FIRST EXTRAORDINARY GENERAL MEETING



中國外運股份有限公司 SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0598)

NOTICE OF THE 2020 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 first extraordinary general meeting (the “EGM”) of Sinotrans Limited (the “**Company**”) will be held at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 3:00 p.m. on 1 June 2020 or immediately following the conclusion of the 2019 annual general meeting or any adjournment thereof to be held at the same place and on the same day for the purpose of considering and, if thought fit, approving, with or without modifications, the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and approve the Share Option Incentive Scheme of Sinotrans Limited (revised draft) (《中國外運股份有限公司股票期權激勵計劃(草案修訂稿)》) and a summary thereof;
2. To consider and approve the Share Option Incentive Scheme of Sinotrans Limited (Phase I) (revised draft) (《中國外運股份有限公司股票期權激勵計劃(第一期)(草案修訂稿)》) and a summary thereof;
3. To consider and approve the Appraisal Measures for Implementation of the Share Option Incentive Scheme of Sinotrans Limited (《中國外運股份有限公司股票期權激勵計劃實施考核辦法》);
4. To consider and approve the grant of a mandate to the board of directors by the general meeting to deal with matters regarding the Share Option Incentive Scheme of the Company;

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5. To consider and approve the grant of a mandate to the board of directors by the general meeting to deal with matters regarding the Share Option Incentive Scheme (Phase I) of the Company; and
6. To consider and approve the amendments to the Articles of Association and the Procedural Rules for General Meetings.

By order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, China
17 April 2020

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing Haidian District
People's Republic of China
100082

Notes:

1. Unless otherwise specified, details of the resolutions are set out in the circular of the Company in relation to the EGM dated 17 April 2020 (the “**Circular**”). Terms defined in the Circular shall have the same meanings when used in this notice unless the context otherwise requires.
2. The H Share register of members of the Company will be closed from 30 April 2020 to 1 June 2020 (both days inclusive), during which no transfer of H Shares will be registered. Any holders of H Shares whose names appear on the H Share register of members of the Company at 4:30 p.m. on 29 April 2020 are entitled to attend and vote at the EGM of the Company after completing the registration procedures for attending the meeting. In order for the H Shareholders to be entitled to attend and vote at the EGM, persons holding H Shares shall lodge share transfer documents and the relevant H Share certificates with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 29 April 2020, for registration.

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3. Shareholders intending to attend the EGM shall give written notice of the same to the Company, which shall be lodged at the office of the Company, at 10th Floor, Building 10/Tower B, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5721) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company's Share Registrar in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), on or before 12 May 2020.
4. Shareholders entitled to attend and vote at the EGM are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.
5. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the office of the Company, at 10th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5721) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company's Share Registrar in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), not later than 24 hours before the time for holding the EGM or any adjournment thereof.
6. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her ID card and the instrument signed by the proxy or his/her legal representative, and specifying the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her ID card and the notarised copy of the resolution passed by the board or other authorities or other notarised copy of the authorisation issued by such legal person Shareholder.
7. Pursuant to the Measures for the Administration of Equity Incentive Plans of Listed Companies (《上市公司股權激勵管理辦法》) issued by the China Securities Regulatory Commission, and as appointed by other independent non-executive directors of the Company, Ms. Li Qian, an independent non-executive director of the Company (the "INED"), will serve as the soliciting party to solicit votes from all shareholders of the Company in relation to the relevant matters of the share option incentive scheme (the "Scheme"), being the Resolutions No. 1 to No. 5 at the EGM of the Company to be held on 1 June 2020. No solicitation is made on the other resolutions which are not related to the Scheme.

The INED has for the abovementioned purpose prepared the proxy forms for appointing the INED as a proxy at the EGM (the "INED Proxy Form(s)"). Should you wish to appoint the INED as your proxy to vote for you on the resolutions in relation to the Scheme and its related matters at the EGM, please complete and return the INED Proxy Form(s) in accordance with the instructions printed thereon to the office of the Company, at 10th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5721) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company's Share Registrar in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), not later than 24 hours before the time for holding the EGM or any adjournment thereof (as the case maybe).

A Shareholder may attend the meeting in person or by proxy notwithstanding the appointment of the INED as his/her proxy in respect of the matters under solicitation. Should you wish to appoint any person other than the INED as your proxy to vote for you on the resolutions in relation to the Scheme and its related matters at the EGM, you may simply disregard the INED Proxy Form(s) and complete and return the form of proxy instead in accordance with the instructions printed thereon.

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If a Shareholder appoints the INED repetitively in relation to the matters under solicitation while the contents of the appointments are inconsistent, the last INED Proxy Form executed by the Shareholder shall be treated as valid; if it is unable to determine the timing of execution, the last INED Proxy Form received shall be treated as valid.

If an INED Proxy Form verified to be valid falls under any of the following circumstances, the INED may treat the INED Proxy Form in accordance with the following:

- (1) After appointing the INED as the proxy in relation to the voting rights for matters under solicitation, a Shareholder may expressly revoke in writing the appointment of the INED as the proxy prior to the close of registration for the on-site meeting, in which case the appointment of the INED shall be treated as lapsed automatically;
 - (2) If a Shareholder has appointed someone other than the INED as the proxy to exercise the voting rights for matters under solicitation and to attend the meeting, and expressly revokes in writing the appointment of the INED prior to the close of registration of the on-site meeting, the appointment of the INED shall be treated as lapsed automatically;
 - (3) A Shareholder shall specify the voting instruction for matters under solicitation in the submitted INED Proxy Form and shall choose either “For” or “Against” or “Abstain” as appropriate. If more than one option have been made, or no option has been indicated, the appointment of the INED shall be treated as invalid.
 - (4) Only one vote should be cast to the same resolution. For those resolutions voted with more than one vote, the first vote shall prevail. If it is unable to determine the timing of vote, and if there is inconsistency between the voting instructions for the same resolution on the form of proxy used for the EGM or other voting methods and the INED Proxy Form, the voting instruction on the INED Proxy Form shall prevail.
8. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.