

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

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

This announcement is made by the Company in accordance with Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) of the Part XIVA of the Securities and Futures Ordinance of the Chapter 571 of the Laws of Hong Kong.

The Company hereby announces that, on 27 December 2019 the Board approved the resolutions in relation to, among others, the adoption of the Overall Share Option Scheme and the Phase I Grant Proposal based thereupon. The Overall Share Option Scheme and the Phase I Grant Proposal shall be effective subject to approval at the general meeting after being approved by the SASAC. Prior to the convening of general meeting for approval of the Overall Share Option Scheme and the Phase I Grant Proposal, the Company may make modifications as required by the regulatory authorities.

The proposed Overall Share Option Scheme clarifies the principles and basic contents of proposed Grant of the Share Options while the Phase I Grant Proposal based thereupon further determines the grant arrangement under the Phase I Grant Proposal (including the list of the Participants, number of the Shares to be granted, the Exercise Period and the Grant Date, etc). Except for the special provisions, major terms of the Phase I Grant Proposal are substantially consistent with the major terms of the Overall Share Option Scheme.

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 announcement.
- (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 announcement.
- (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

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

Where: Q_0 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

$$Q = Q_0 \times n$$

Where: Q_0 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

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

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

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

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

$$P = P_0 \div n$$

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

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

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

$$P = P_0 - V$$

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. However, in case of any changes of the underlying Shares of the Overall Share Option Scheme as a result of merger, spin-off or change in control, the Share Options shall be adjusted to ensure the Expected Returns of the Participants remain unchanged.
- (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 (<i>'0,000 A Shares/Person</i>)	Percentage over total number of shares granted	Percentage over total share capital of the Company
Li Guanpeng	Chairman	109.26	1.48%	0.015%
Song Rong	Executive Director, 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 announcement.
- (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 announcement.

(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 announcement.
- (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 announcement.
- (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
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

Performance indicators	Effective conditions of the first tranche	Effective conditions of the second tranche	Effective conditions of the third tranche
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 RMB1.45 by preliminarily calculating the pricing model and each data on 27 December 2019. Parameters were as follows:

- a. fair market price: RMB4.23 (being the higher of the average trading price of the A Shares of the Company for the last trading day or the average trading price of the A Shares of the Company for the last 20 trading days 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)
- b. the Exercise Price: RMB4.23 (being the higher of the fair market value and the nominal unit par value of the A Shares of the Company)
- 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: 42.53% (being the historical volatility of price of the A Shares since the listing of the A Shares)
- e. risk-free interest rate: 2.79% (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 27 December 2019, the total value of 73,930,100 Share Options proposed to be granted under the Phase I Grant Proposal represents total incentive costs of RMB107.20 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 31 March 2020 is the Grant Date:

Unit: RMB0'000

Year	2020	2021	2022	2023	2024	Total
Cost to be amortised	3,235	3,871	2,378	1,089	147	10,720

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”.

III. 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), issue of new securities to connected persons of the Company is fully exempted from the requirements of the reporting, announcement and independent shareholders’ approval 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 Participants under the Phase I Grant Proposal have abstained from voting on relevant Board resolutions in relation to the Overall Share Option Scheme and the Phase I Grant Proposal and/or the Grant to themselves.

Since the Overall Share Option Scheme and the Phase I Grant Proposal involve issuance of new A Shares through non-public issuance by the Company, Chapter 17 and certain provisions of the Listing Rules are applicable to the Overall Share Option Scheme and the Phase I Grant Proposal. Meanwhile, the PRC laws and regulations concerning formulation of the Overall Share Option Scheme, the Phase I Grant Proposal and the Grant thereof are also applicable. Therefore, the Company has been observing the requirements of relevant PRC laws and regulations as well as the Listing Rules as far as possible when formulating the Overall Share Option Scheme and the Phase I Grant Proposal, and has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Note 1 of Rule 17.03(9) of the Listing Rules.

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 scheme; 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 scheme.

Since the Share Options to be granted under the Overall Share Option Scheme and the Phase I Grant Proposal 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 for a waiver from strict compliance with Note 1 of Rule 17.03(9) of the Listing Rules.

The details of the Exercise Price and its basis of determination are set out in the above section 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”.

IV. INFORMATION OF THE GROUP

The Group is a leading integrated logistics services provider in the PRC, and its principal businesses include freight forwarding, logistics, storage and terminal services and other services, such as container leasing, shipping, trucking and express services, etc.

V. GENERAL MEETING

The Overall Share Option Scheme and the Phase I Grant Proposal shall be subject to voting by the Shareholders at the general meeting. The Company will despatch a circular containing the details of the terms of the Overall Share Option Scheme and the Phase I Grant Proposal to the Shareholders as and when appropriate.

VI. DEFINITIONS

In this announcement, 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 Shanghai Stock Exchange and traded in RMB
“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 State-owned Assets Supervision and Administration Commission of the State Council
“Company Law”	the Company Law of the PRC
“Company”	Sinotrans Limited中國外運股份有限公司, 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 Shanghai Stock Exchange
“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
“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 return of the Share Options granted to the Participants, determined by multiplying the fair value of unit Share Option by the number granted
“general meeting(s)”	the shareholders’ meetings of the Company, which, as the case may be, also including the class meetings of the Company
“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
“Grant Date”	subject to the Shareholders’ consideration and approval of the Overall Share Option Scheme and/or the Phase I Grant Proposal at the general meetings, the date of the announcement in relation to the Board’s confirmation on the satisfaction of the conditions of the Grant; which shall 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
“Independent Director(s)”	the independent non-executive Director(s) of the Company
“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 Option(s) to the first Exercisable Date
“Overall Share Option Scheme”	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)》)
“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
“Phase I Grant Proposal”	the Share Option Incentive Scheme of Sinotrans Limited (Phase I) (draft) (《中國外運股份有限公司股票期權激勵計劃(第一期)(草案)》) formulated by the Company based on the Overall Share Option Scheme
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“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 Options
“stock exchanges”	the Hong Kong Stock Exchange and the Shanghai Stock Exchange
“trading day(s)”	the date on which the Shanghai Stock Exchange is open for trading of marketable securities
“%”	per cent

* *for identification purpose only*

By Order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, 27 December 2019

As at the date of this announcement, the board of directors of the Company comprises Li Guanpeng (Chairman), Song Dexing (Vice Chairman), Song Rong (executive director), Su Jian (non-executive director), Xiong Xianliang (non-executive director), Jiang Jian (non-executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Wang Taiwen, Meng Yan, Song Haiqing and LiQian.