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**重慶長安民生物流股份有限公司**  
**Changan Minsheng APLL Logistics Co., Ltd.\***

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

**(Stock Code: 01292)**

**PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS SCHEME**

On 28 August 2020, the Board has considered and approved the Share Appreciation Rights Scheme (comprising the grant of the Share Appreciation Rights to Incentive Recipients), which is conditional on approval by the SASAC and Shareholders at the general meeting.

The Scheme does not constitute the grant of options on the new shares or other new securities of the Company (or any of its subsidiaries); it does not fall within the ambit of, and is not subject to, the requirements under Chapter 17 of the Listing Rules.

After obtaining the approval from SASAC, the Scheme will be submitted to the general meeting for the consideration and approval of Shareholders by way of a special resolution(s). The Company shall dispatch, among other things, a circular setting out details of the Scheme as soon as practicable.

**BACKGROUND**

On 28 August 2020, the Board has considered and approved the Share Appreciation Rights Scheme (comprising the grant of the Share Appreciation Rights to Incentive Recipients). The Scheme will be submitted for the SASAC's approval and may be subject to amendment upon the request from the SASAC and (if required) by Hong Kong regulatory authorities. After obtaining the approval from SASAC, the Scheme will be submitted for the Shareholders to consider and approve at the general meeting. The Scheme (comprising the grant of the Share Appreciation Rights to Incentive Recipients) shall become effective for implementation after obtaining the approval from the SASAC and the Shareholders at the general meeting.

The Scheme does not constitute the grant of options on the new shares or other new securities of the Company (or any of its subsidiaries); it does not fall within the ambit of, and is not subject to, the requirements under Chapter 17 of the Listing Rules.

## SUMMARY OF MAJOR TERMS OF THE SCHEME

<b>Effective Date of the Scheme:</b>	<p>The date on which the Scheme is approved by the SASAC and by the Shareholders at the general meeting.</p>
<b>Validity period of the Scheme:</b>	<p>5 years from the date of approval by Shareholders at the general meeting.</p>
<b>Incentive Recipients:</b>	<p>Individual(s) eligible to receive the Share Appreciation Rights to be granted by the Company under the Scheme, including Directors (External Directors and Supervisors are excluded), senior management, and key employees having immediate impact on the business performance and sustainable development of the Company. The Scheme will include no more than 29 Incentive Recipients. Number and distribution of the Share Appreciation Rights among the Incentive Recipients are set out in section headed “PROPOSED GRANT OF THE SHARE APPRECIATION RIGHTS UNDER THE SCHEME” below.</p>
<b>Restrictions on the number of the Share Appreciation Rights to be granted:</b>	<p>The number of units of the Share Appreciation Rights (number of shares) to be granted under the Scheme shall not in aggregate exceed ten percent (10%) of the issued share capital of the Company as of the Effective Date of the Scheme.</p> <p>Without the consent of Shareholders by way of a special resolution(s), the Share Appreciation Rights received by an Incentive Recipient under the Scheme shall not in aggregate exceed one percent (1%) of the Company’s total share capital issued as of the Effective Date of the Scheme.</p> <p>The Company shall not grant any Share Appreciation Rights to any person according to the Scheme during the Validity Period if such act would render such person receiving (both exercised and outstanding) Share Appreciation Rights with underlying Shares accounting for more than one percent (1%) of the total issued share capital of the Company within any 12-month period.</p> <p>The shares underlying the Share Appreciation Rights to be granted under the Scheme shall not exceed three percent (3%) of the Company’s total issued share capital as of the Effective Date of the Scheme.</p>
<b>Exercise price of the Share Appreciation Rights:</b>	<p>The exercise price shall be determined based on Fair Market Price. The Exercise Price of the Share Appreciation Rights under the Scheme shall be the higher of:</p> <p>(1) the closing price of H Share of the Company as stated in the daily quotation sheet of the Stock Exchange on the Date of Grant;</p>

	<p>(2) the average closing price of H Share of the Company as stated in the daily quotation sheet of the Stock Exchange for five consecutive trading days prior to the Date of Grant; or</p> <p>(3) the par value of the H Share of the Company.</p> <p>In the event of conversion of capital reserve, dividend payout, distribution of bonus shares, share subdivision, or share consolidation within the Validity Period of the Scheme, the Exercise Price will be readjusted in accordance with the provisions of the Scheme.</p>
<p><b>Vesting Period:</b></p>	<p>Vesting Period is a period of two years (24 months) commencing from the Date of Grant until the first Vesting Date, (i.e., no Share Appreciation Rights shall be exercised for a period of two years since the Date of Grant). The Share Appreciation Rights to be granted to the Incentive Recipients shall take effect by one third each year in the next three years upon the expiry of the Vesting Period. Each of the Vesting Dates shall be the second, third and fourth anniversary of the Date of Grant. The Vesting Date may be extended to the next trading day should the anniversaries fall to be on a non-trading day.</p>
<p><b>Accounting treatment of the Share Appreciation Rights:</b></p>	<p><i>Accounting treatment on the Date of Grant:</i></p> <p>No accounting treatment is required as the Share Appreciation Rights are not exercisable on that date.</p> <p><i>Accounting treatment during the Vesting Period:</i></p> <p>Pursuant to the relevant requirements of Enterprise Accounting Standard, the Company shall, on each balance sheet date during the restricted period and based on the best estimate of the number of exercisable Share Appreciation Rights, include the services rendered during the then period as costs for related assets or expenses for that period pursuant to the fair value of the Share Appreciation Rights on the Date of Grant, and to record at the same time in the item headed “salaries payable to employees” as liabilities.</p> <p><i>Accounting treatment after the Vesting Date:</i></p> <p>Costs and expenses are no longer to be recognized, but changes in the fair value of liabilities (salaries payable to employees) should be included in the then current profits and losses (fair value change profit and loss account).</p> <p><i>Accounting treatment on the Exercise Date:</i></p> <p>The costs and expenses of the exercised Share Appreciation Rights, shall be debited to “salaries payable to employees” and credited to “cash at bank”.</p> <p>The Company shall disclose in the annual report the audited total cost of the Share Appreciation Rights and amortized expenses recognised each year after the Share Appreciation Rights were granted.</p>

<b>Termination of the Scheme:</b>	The Scheme will automatically terminate upon the expiry of the Validity Period. The Board has the right to decide an early termination of the Scheme at any time. In the event that the Board decides to terminate the Scheme before its expiry, the Company shall cease to grant any Share Appreciation Rights under the Scheme.
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Please refer to the Appendix to this announcement for the main text of the Scheme.

## **PROPOSED GRANT OF THE SHARE APPRECIATION RIGHTS UNDER THE SCHEME**

Subject to obtaining the approval from the SASAC and the adoption of the Scheme by Shareholders at the general meeting, the Company intends to grant Incentive Recipients Share Appreciation Rights with no more than 4,861,400 underlying Shares, accounting for 3% of the total issued share capital of 162,064,000 Shares of the Company. Following adoption of the Scheme, the Board will determine the specific Date of Grant of the proposed grant in accordance with the Scheme. The Company will publish further announcement on the formal grant of the Share Appreciation Rights as and when required.

Subject as aforesaid, the Share Appreciation Rights to be granted under the Scheme shall be allocated among the Incentive Recipients as set out in the following table:

<b>Name</b>	<b>Position</b>	<b>Number of Share Appreciation Rights to be granted under the Scheme (shares)</b>	<b>Approximate Percentage to the total number of Share Appreciation Rights to be granted under the Scheme</b>	<b>Approximate percentage of underlying shares to the total number of shares in issue</b>
Xie Shikang	Party Secretary, Chairman of the Board, and Executive Director	378,400	7.78%	0.23%
Shi Jinggang	Deputy Party Secretary, Executive Director, and General Manager	378,400	7.78%	0.23%
Ren Fei	Chief Accountant, and Board Secretary	283,800	5.84%	0.18%
Ren Honglian	Secretary of the Discipline Inspection Committee	283,800	5.84%	0.18%
Wan Nianyong	Deputy Party Secretary and Labor Union President	283,800	5.84%	0.18%
Middle managements ranking M4A or above, and heads supervising Party affairs of tier-2 units ranking M4B or above (subtotaling 24 persons)		3,253,200	66.92%	2.00%
Total (29)		4,861,400	100.00%	3.00%

**Notes:**

- (1) Incentive Recipient shall not be a substantial shareholder or de facto controller holding over 5% of the Shares, or parents, spouses or children thereof;
- (2) The number of underlying Shares of the Share Appreciation Rights to be granted to any single Incentive Recipient as listed in the above table is no more than one percent (1%) of the total issued share capital of the Company;
- (3) The maximum gains from the Share Appreciation Rights to be granted to any Director or member of Senior Managements under the Scheme shall not exceed 40% of their total annual remuneration (including expected benefits from Share Appreciation Rights) as at the grant of the Share Appreciation Rights hereunder.
- (4) The list of Incentive Recipients shall be subject to review of the Remuneration Committee and the approval of the Board from time to time according to the terms of the Scheme.

In relation to the above proposed grant of the Share Appreciation Rights under the Scheme, each of Mr. Xie Shikang and Mr. Shi Jianggang has abstained from voting in the relevant resolution to approve the grant of the Share Appreciation Rights to himself.

**RATIONALE FOR ADOPTING THE SCHEME**

The Board believes that the Scheme can establish a long-term incentive mechanism closely linking the interests of the management team with those of the Company and Shareholders and bring them together in focusing on the long-term and sustainable development of the Company. Through the Scheme, the Company expects to:

- (1) establish a long-term incentive mechanism so as to optimize the incentive and restriction system of the Company;
- (2) retain and further motivate valuable personnel so as to form and increase the Company's competitive edge in human resources market; and
- (3) form a concerted force among the Shareholders, the Company and the management to facilitate the accomplishment of the operational goal of the Company and the long-term strategic objectives.

The Board also considers that the proposed terms and conditions of the Scheme are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

**GENERAL INFORMATION**

After obtaining the approval from SASAC, the Scheme will be submitted to the general meeting for the consideration and approval by Shareholders by way of a special resolution(s). The Company shall dispatch, among other things, a circular setting out details of the Scheme to Shareholders as soon as practicable.

*The Board wishes to emphasise that the Scheme shall become effective for implementation after obtaining the approval from the SASAC and the Shareholders at the general meeting. Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.*

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the following meanings:

“Board”	the board of directors of the Company
“China” or “PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Company”	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
“Date of Grant”	the date on which the Share Appreciation Rights are granted to the Incentive Recipients in accordance with the Scheme
“Director(s)”	the director(s) of the Company
“External Directors”	directors who are not employees of the Company. External Directors do not serve in positions other than as members of the Board and committees thereunder, neither are they involved in the daily management of the Company or in any relationships that might affect their capacity to discharge their role as External Directors in a fair manner
“general meeting”	the general meeting of the Company to be convened by the Company for purpose of considering and if thought fit, approving the adoption of the Scheme (comprising the grant of the Share Appreciation Rights to Incentive Recipients)
“Fair Market Price”	the fair market price of the outstanding H Shares of the Company on a Trading Day is referred to as the closing price of H Shares of the Company on the Stock Exchange on such day, unless otherwise defined by the Scheme
“Group”	the Company and its subsidiaries from time to time
“H Share Appreciation Rights” or “Share Appreciation Rights”	the right conferred to the Incentive Recipient(s) by the Company to gain benefits from the increase in the price of specified number of shares within a specified period and subject to certain conditions, also referred to as “Appreciation Rights”. The Share Appreciation Rights may be exercised or waived but shall not be transferred, pledged or used to repay debt. The Incentive Recipients do not have the ownership of the shares underlying the Share Appreciation Rights, nor do they have the right of voting or placing as the shareholders

“H Shares”	the ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi and are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Scheme” or “Share Appreciation Rights Scheme”	the H Share Appreciation Rights Incentive Scheme of the Company
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vesting Date(s)”	the date on which the Share Appreciation Rights granted to Incentive Recipients come into effect and the Vesting Date shall be a trading day

*By Order of the Board*  
**Changan Minsheng APLL Logistics Co., Ltd.**  
**Xie Shikang**  
*Chairman*

Chongqing, the PRC  
28 August 2020

*As at the date of this announcement, the board of directors of the Company comprises: (1) Mr. Xie Shikang, Mr. Chen Wenbo, Mr. William K Villalon and Mr. Shi Jinggang as the executive directors; (2) Mr. Chen Xiaodong, Mr. Man Hin Wai Paul (also known as Paul Man) and Mr. Xia Lijun as the non-executive directors; (3) Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun as independent non-executive directors.*

*\* For identification purpose only*

## APPENDIX

### (THE MAIN TEXT OF THE SCHEME)

#### CHAPTER I DEFINITIONS

The capitalized terms used in the Scheme are defined as follows:

“Articles of Association”	the Articles of Association of the Company
“Board”	the board of directors of the Company
“Company”	Changan Minsheng APLL Logistics Co., Ltd.
“Director(s)”	director(s) of the Company
“Date of Grant”	the date on which the Share Appreciation Rights are granted to the Incentive Recipients in accordance with the Scheme
“Effective Date”	the date on which the Scheme is approved by the SASAC and adopted at the general meeting
“Exercise Date”	the date on which the Share Appreciation Rights are exercised at the exercise price
“Effective Period”	the period from the Vesting Date to the Lapse Date of Share Appreciation Rights under the Scheme
“Exercise Period(s)”	a period within the Effective Period, commencing from the Vesting Date to the expiration date of each tranche of the Share Appreciation Rights under the Scheme
“External Directors”	directors who are not employees of the Company. External Directors do not serve in positions other than as members of the Board and committees thereunder, neither are they involved in the daily management of the Company or in any relationships that might affect their capacity to discharge their role as External Directors in a fair manner
“Fair Market Price”	the fair market price of the Outstanding H Shares of the Company on a Trading Day is referred to as the closing price of H Shares of the Company on the Stock Exchange on such day, unless otherwise defined by the Scheme



“Incentive Recipient(s)”	individual(s) eligible to receive the Share Appreciation Rights to be granted by the Company under the Scheme
“Independent Director(s)”	The independent non-executive directors of the Company
“Lapse Date”	the date on which the Share Appreciation Rights shall lapse as provided in the Scheme
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Outstanding H share(s)”	the issued ordinary shares of the Company traded on the Stock Exchange, also referred to as “H Share(s)”
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Scheme”	the H share Appreciation Rights Scheme of the Company, also known as “Share Appreciation Rights Scheme”
“Share Appreciation Rights”	the right conferred to the Incentive Recipient(s) by the Company to gain benefits from the increase in the price of specified number of shares within a specified period and subject to certain conditions, also referred to as “Appreciation Rights”. The Share Appreciation Rights may be exercised or waived but shall not be transferred, pledged or used to repay debt. The Incentive Recipients do not have the ownership of the shares underlying the Share Appreciation Rights, nor do they have the right of voting or placing as the shareholders
“Senior Management(s)”	general manager, deputy general managers, chief financial officer, board secretary and other personnel of the Company as specified in the Articles of Association
“Supervisory Committee”	the supervisory committee of the Company
“Supervisor(s)”	supervisor(s) of the Company
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Trading day”	the dates on which the Stock Exchange is open for securities trading
“HKD”	Hong Kong dollar

“Validity Period”	the period from the date on which the Scheme is adopted by the general meeting to the Lapse Date of the Share Appreciation Rights
“Vesting Date(s)”	the date on which the Share Appreciation Rights granted to Incentive Recipients come into effect and the Vesting Date shall be a trading day
“Units of Share Appreciation Rights”	the basic unit of Share Appreciation Rights over issued shares of the Company available under the Scheme, also referred to as “number of shares”

## **CHAPTER II PURPOSE OF THE SCHEME**

**Article 1** The Scheme was formulated in accordance with the Company Law of the People’s Republic of China, the Listing Rules, the Provisional Measures on the Implementation of Equity Incentive Schemes by State-controlled (Overseas) Listed Companies, the Notice on Regulating the Implementation of Equity Incentive by State-controlled Listed Companies, the Notice on Further Improving the Implementation of Equity Incentive Schemes by Central SOE-controlled Listed Companies, and Guidelines for the Implementation of Equity Incentive Schemes by Central SOE-controlled Listed Companies, and other applicable laws, regulations, regulatory documents and the Articles of Association, for the purpose of improving the Company’s corporate governance, facilitating the Company to put in place a sound distribution mechanism integrating incentives and disincentives, fully motivating Senior Management and key employees by aligning their interests with those of Shareholders and the Company, thus enhancing their operation and management skills to boost the business performance of the Company and ensure the realization of its long-term development goals.

**Article 2** The Scheme was formulated by the Company based on the principles of:

- (1) adhering to the leadership of the Party;
- (2) acting with fairness, impartiality and transparency;
- (3) complying with applicable laws, regulations, regulatory documents and the Articles of Association; and
- (4) providing for incentives and disincentives that are conducive to the sustainable development of the Company.

## **CHAPTER III GOVERNING BODIES FOR THE SCHEME**

**Article 3** The general meeting is the top authority of Company and is responsible for considering and approving the implementation, modification and termination of the Scheme.

**Article 4** The Board is responsible for implementing and managing the Scheme. The Remuneration Committee under the Board is responsible for drafting and revising the Scheme, submitting it to the general meeting and the competent authorities for approval, and handling relevant matters as per authorization of the general meeting.

**Article 5** The Supervisory Committee is responsible for overseeing the Scheme, examining the list of Incentive Recipients and whether the implementation thereof complies with applicable laws, regulations, regulatory documents and the Listing Rules of the Stock Exchange.

**Article 6** Independent Directors shall give independent opinions as to whether the Scheme is conducive to the Company's sustainable development and whether there are any circumstances pertaining to the Scheme that may pose substantial harm against the interests of the Company and Shareholders as a whole.

**Article 7** Any alternations to the Scheme up to the date of approval by Shareholders at the general meeting shall be given opinions by Supervisory Committee and Independent Directors as to whether the revised Scheme is conducive to the sustainable development of the Company and whether there are any circumstances pertaining to the revised Scheme that may pose substantial harm against the interests of the Company and Shareholders as a whole.

**Article 8** The opinions of the Supervisory Committee and the Independent Directors shall be obtained as to whether the Incentive Recipients meet the criteria for receiving Share Appreciation Rights as set out in the Scheme. Where the list of Incentive Recipients and the Share Appreciation Rights granted thereto changes, the opinions of Independent Directors, the Supervisory Committee shall all be obtained.

## **CHAPTER IV**

### **BASIS FOR DETERMINATION AND THE SCOPE OF INCENTIVE RECIPIENTS**

#### **Article 9 Basis for determination of Incentive Recipients**

(1) Legal basis

The Incentive Recipients are determined in accordance with the Provisional Measures on the Implementation of Equity Incentive Schemes by State-controlled (Overseas) Listed Companies, the Notice on Regulating the Implementation of Equity Incentive Scheme by State-controlled Listed Companies, Guidelines for the Implementation of Equity Incentive Schemes by Central SOE-controlled Listed Companies, the Listing Rules and other applicable laws, regulations, regulatory documents as well as the Articles of Association and having considered the Company's actual conditions.

(2) Eligible positions

In principle, the Incentive Recipients under the Scheme are limited to the Directors, Senior Management key employees having immediate impact on the business performance and sustainable development of the Company. External Directors (including Independent Directors) and Supervisors are not included.

(3) Performance requirements

Incentive Recipients must rate C or above in performance assessment for the year prior to the Date of Grant conducted by the Company in accordance with Performance Assessment Method for the Implementation of the Share Appreciation Rights Scheme of Changan Minsheng APLL Logistics Co., Ltd.

## **Article 10 Principles for the Determination of Incentive Recipients**

A person shall not become an Incentive Recipient if

- (a) He or she is an independent director, a supervisor, a shareholder individually or collectively holding over 5% of the Shares or de facto controller, or the spouses, parents or children thereof;
- (b) He or she was publicly reprimanded or announced as ineligible by any securities regulatory authorities during the last three years;
- (c) He or she was imposed of any administrative penalty by any securities regulatory authorities due to material non-compliance with laws and regulations during the last three years;
- (d) He or she is prohibited from acting as a director and a senior management under any of the circumstances as stipulated in the Company Law of the People's Republic of China;
- (e) He or she is prohibited by applicable laws and/or regulations from participating in any equity incentive schemes; or
- (f) He or she is deemed by the Board to have violated the Company's policies or materially damaged the Company's interests.

If any of the above circumstances emerges which rendered any of the Incentive Recipients ineligible during the implementation of the Scheme, the Board shall revoke the outstanding Share Appreciation Rights granted to the Incentive Recipient in question and terminate his or her participation in the Scheme.

The Incentive Recipients shall undertake that he or she shall accept only the incentives granted by the Company, that he or she is not a recipient of equity incentives granted by any other companies when they receive the Share Appreciation Rights granted by the Company, that he or she shall not accept equity incentives granted by other companies until the Share Appreciation Rights granted to them by the Company are fully exercised and that he or she shall relinquish his or her right under the Scheme and to any compensation claim should he or she become ineligible as per the provisions of applicant laws, regulations and the Scheme in the course of implementation thereof.

The Scheme will include no more than a total of 29 Incentive Recipients, comprising Directors (other than External Directors), Senior Management, middle managements ranking M4A or above, and heads supervising Party affairs of tier-2 units ranking M4B or above. The list of Incentive Recipients and their corresponding entitlements under the Scheme and other related matters shall be formulated by the Remuneration Committee and reviewed by the Board.

## **Article 11 Verification of Incentive Recipients**

- (1) Following the approval of the Scheme by the Board, the names and positions of Incentive Recipients shall be displayed on the Company's internal website or otherwise publicly announced within the Company for no less than 10 days. The Supervisory Committee will review the list of Incentive Recipients taking into full consideration the comments solicited through public display.
- (2) The Supervisory Committee shall verify the list of Incentive Recipients on the Date of Grant and give opinions thereon. Any adjustment to the list made by the Board shall also be subject to verification by the Supervisory Committee.

## **CHAPTER V**

### **NUMBER AND DISTRIBUTION OF SHARES UNDERLYING THE SHARE APPRECIATION RIGHTS UNDER THE SCHEME**

#### **Article 12 Number of shares underlying the Share Appreciation Rights to be granted**

The total number of shares underlying the Share Appreciation Rights to be granted under the Scheme depends on the gross benefits the Company expects to grant and the fair value of per Units of the Share Appreciation Rights, and shall be subject to the following restrictions:

- (1) The number of Units of the Share Appreciation Rights (number of shares) to be granted under the Scheme shall not in aggregate exceed ten percent (10%) of the issued share capital of the Company as of the Effective Date of the Scheme. If any grant of Share Appreciation Rights would render the Company fail to meet such a requirement, the Company shall not offer or grant any Share Appreciation Rights in any form according to the Scheme;
- (2) Unless otherwise approved by Shareholder at the general meeting by way of a special resolution(s), the Share Appreciation Rights received by an Incentive Recipient under the Scheme shall not in aggregate exceed one percent (1%) of the Company's total share capital issued as of the Effective Date of the Scheme. The Company shall not grant any Share Appreciation Rights to any person according to the Scheme during the Validity Period if such act would render such person receiving (both exercised and outstanding) Share Appreciation Rights with underlying Shares accounting for more than one percent (1%) of the total issued share capital of the Company within any 12-month period;
- (3) The shares underlying the Share Appreciation Rights to be granted under the Scheme shall not exceed three percent (3%) of the Company's total issued share capital as of the Effective Date of the Scheme.

Without prejudice to preceding paragraphs, Share Appreciation Rights to be granted to any Incentive Recipients are subject to readjustment based on performance assessment result.

During the Validity Period of the Scheme, in the event that there is conversion of capital reserve into shares, distribution of bonus shares, share subdivision, share consolidation, corresponding adjustments will be made to the number of Share Appreciation Rights in accordance with relevant provisions under the Scheme.

### **Article 13 Number of underlying shares of the Share Appreciation Rights to be granted**

The Company intends to grant Incentive Recipients Share Appreciation Rights with no more than 4,861,400 underlying shares, accounting for 3% of the total issued share capital of 162,064,000 shares of the Company as of the Effective Date of the Scheme.

### **Article 14 Distribution of the Share Appreciation Rights among the Incentive Recipients**

Subject to obtaining the approval from the SASAC and the Shareholders at the general meeting, and the determination on the date of grant by the Board, the Share Appreciation Rights to be granted under the Scheme are to be allocated among the Incentive Recipients as set out in the following table:

<b>Name</b>	<b>Position</b>	<b>Number of Share Appreciation Rights to be granted under the Scheme (shares)</b>	<b>Approximate Percentage to the total number of Share Appreciation Rights to be granted under the Scheme</b>	<b>Approximate percentage of underlying shares to the total number of shares in issue</b>
Xie Shikang	Party Secretary, Chairman of the Board, and Executive Director	378,400	7.78%	0.23%
Shi Jinggang	Deputy Party Secretary, Executive Director, and General Manager	378,400	7.78%	0.23%
Ren Fei	Chief Accountant, and Board Secretary	283,800	5.84%	0.18%
Ren Honglian	Secretary of the Discipline Inspection Committee	283,800	5.84%	0.18%
Wan Nianyong	Deputy Party Secretary and Labor Union President	283,800	5.84%	0.18%
Middle managements ranking M4A or above, and heads supervising Party affairs of tier-2 units ranking M4B or above (subtotaling 24 persons)		3,253,200	66.92%	2.00%
Total (29)		4,861,400	100.00%	3.00%

*Notes:*

- (1) Incentive Recipient shall not be a substantial shareholder or de facto controller holding over 5% of the Shares, or parents, spouses or children thereof;
- (2) The number of underlying Shares of the Share Appreciation Rights to be granted to any single Incentive Recipient as listed in the above table is no more than one percent (1%) of the total issued share capital of the Company;

- (3) The maximum gains from the Share Appreciation Rights to be granted to any Director or member of Senior Managements under the Scheme shall not exceed 40% of their total annual remuneration (including expected benefits from Share Appreciation Rights) as at the grant of the Share Appreciation Rights hereunder.
- (4) The list of Incentive Recipients shall be subject to review of the Remuneration Committee and the approval of the Board from time to time according to the terms of the Scheme.

## **CHAPTER VI SCHEDULE OF THE SCHEME**

### **Article 15 Validity Period of the Scheme**

The Scheme shall remain valid for a period of five (5) years from the date of approval by Shareholders at the general meeting.

### **Article 16 Vesting Period and Exercise Periods**

The Share Appreciation Rights to be granted under the Scheme have a Vesting Period of two years (24 months) commencing from the Date of Grant. No Share Appreciation Rights shall be exercised during the Vesting Period. Subject to the satisfaction of performance evaluation indicators, the Incentive Recipients can exercise the Share Appreciation Rights in tranches within the succeeding three years (36 months) following the expiry of the Vesting Period. Specific arrangements are as follows:

- (1) One-third of the Share Appreciation Rights granted to each Incentive Recipient under the Scheme shall take effect in two years (24 months) from the Date of the Grant;
- (2) One-third of the Share Appreciation Rights granted to each Incentive Recipient under the Scheme shall take effect in three years (36 months) from the Date of the Grant;
- (3) The remaining one-third shall take effect in four years (48 months) from the Date of the Grant.

The Vesting Date of each tranche shall be on the same date of the second, third and fourth anniversary of the Date of Grant respectively. The Vesting Date should be postponed to the succeeding trading day should it fall on a non-trading day. The Incentive Recipients or legal beneficiaries thereof may exercise Share Appreciation Rights on any date within the Effective Period except for any periods restricted by the Stock Exchange from securities trading. For the purpose of management, The Share Appreciation Rights granted under the Scheme shall be collectively exercised on the Exercise Date determined by the Board.

### **Article 17 Restrictions on the time of grant and exercise of the Share Appreciation Rights**

The Board may not grant the Share Appreciation Rights after the occurrence of a price-sensitive event or when a price-sensitive matter may arise as an outcome of a resolution of the Company, until such time that the price-sensitive information has been announced or disclosed in accordance with the Listing Rules. No Share Appreciation Rights shall be exercised by a holder of the Share Appreciation Rights who has become aware of such information until relevant announcement or disclosure has been made.

Each of the Date of Grant and Exercise Date must be a trading day. No Share Appreciation Rights shall be granted during the period commencing one month immediately before the earlier of:

- (1) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and
- (2) the deadline for the Company to announce its results for any year, half-year, quarterly or any other interim period under the Listing Rules,

and ending on the date of the results announcement.

## **CHAPTER VII EXERCISE PRICE AND DETERMINATION BASIS**

### **Article 18 Basis of Determination of the Exercise Price**

The Exercise Price shall be determined based on Fair Market Price. The Exercise Price of the Share Appreciation Rights under the Scheme shall be the higher of:

- (1) the closing price of H Share of the Company as stated in the daily quotation sheet of the Stock Exchange on the Date of Grant;
- (2) the average closing price of H Share of the Company as stated in the daily quotation sheet of the Stock Exchange for five consecutive trading days prior to the Date of Grant; or
- (3) the par value of the H Share of the Company.

In the event of conversion of capital reserve, dividend payout, distribution of bonus shares, share subdivision, or share consolidation within the Validity Period of the Scheme, the Exercise Price will be readjusted in accordance with the provisions thereof.

## **CHAPTER VIII GRANT AND EXERCISE CONDITIONS**

### **Article 19 Conditions for the grant of Share Appreciation Rights**

- (1) As at the Date of the Grant, none of the following is applicable to the Company:
  - (a) any of the annual financial statements for the past three financial years being issued an adverse opinion or a disclaimer of opinion by certified public accountants;
  - (b) being imposed of any administrative penalty by the securities regulatory authorities for material non-compliance in the past three years; or
  - (c) occurrence of any other circumstances which, in the opinion of the securities regulatory authorities, competent government authorities or judicial authorities, would render the implementation of equity incentive infeasible.



- (2) As at the Date of Grant, the Incentive Recipient has not committed any of the following:
- (a) being graded below C in the performance assessment for the year prior to the Date of Grant in accordance with relevant performance assessment measure of the Company;
  - (b) being publicly reprimanded or announced as ineligible by the Stock Exchange in the past three years;
  - (c) being subjected to any administrative penalty by any securities regulatory authorities for material non-compliance in the past three years; or
  - (d) being prohibited from acting as an equity incentive recipient by any regulatory authorities.
- (3) Performance assessment requirements for the Company granting Share Appreciation Rights

The Guidelines for the Implementation of Equity Incentive Schemes by Central SOE-controlled Listed Companies provides that no business performances are required of equity incentive scheme with one-off grant arrangement. Since the Company does not intend to conduct multiple grant of Share Appreciation Rights under the Scheme, no business performance requirements are set for the purpose of granting Share Appreciation Rights under the Scheme.

## **Article 20 Conditions for exercising Share Appreciation Rights**

- (1) In the years where performance assessment is required under the Scheme, none of the following is applicable to the Company:
- (a) the Company's has failed to meet the annual business performance related conditions set forth herein;
  - (b) the annual financial statements have been issued an adverse opinion or a disclaimer of opinion by certified public accountant(s) of the Company;
  - (c) the Supervisory Committee or the audit department has raised material objections to the Company's business performance or annual financial statements;
  - (d) the Company has been subjected to any administrative penalty by the securities regulatory authorities for any material non-compliance; or
  - (e) occurrence of any other circumstances which, in the opinion of any securities regulatory authorities, competent government authorities or judicial authorities, would render the implementation of the Scheme infeasible.

- (2) In the years where performance assessment is required under the Scheme, the Incentive Recipient has not committed any of the following:
- (a) failure to pass performance assessment in accordance with the performance assessment measure of the Company;
  - (b) being publicly reprimanded or announced as ineligible by the Stock Exchange in the past three years;
  - (c) being imposed of any administrative penalty by any securities regulatory authorities for any material non-compliance in the past three years; or
  - (d) being prohibited from acting as an equity incentive recipient by any regulatory authorities.
- (3) Requirements on business performance of the Company

The exercise of the Share Appreciation Rights granted under the Scheme shall be subject to, among others, the assessment results of the business performance of the Company for each fiscal year from 2021 to 2023. The assessment shall be conducted on an annual basis, the result of which shall be one of the factors to determine whether the Company satisfies the conditions for exercising Share Appreciation Rights. The business performance requirements for each of the three years from 2021 to 2023 as set out in the following table:

<b>Exercise Periods</b>	<b>Performance Indicators</b>
The First Exercise Period	<ul style="list-style-type: none"> <li>● Return on equity for 2021 shall equal to or be more than 1% with a growth rate no lower than 75 percentile of benchmarking enterprises or industry average;</li> <li>● Average growth rate of net profit in 2021 over 2019 shall equal to or be more than 20% and no lower than the 75th percentile of the benchmark enterprises or the industry average; and</li> <li>● The percentage of revenue derived from non-connected transactions in 2021 shall equal to or be more than 28%.</li> </ul>
The Second Exercise Period	<ul style="list-style-type: none"> <li>● Return on equity for 2022 shall equal to or be more than 1.2% with a growth rate not lower than the 75 percentile of the benchmark enterprises or the industry average;</li> <li>● Average growth rate of net profit in 2022 over 2019 shall equal to or be more than 20% and no lower than the 75 percentile of the benchmark enterprises or the industry average; and</li> <li>● The percentage of revenue derived from non-connected transactions in 2022 shall equal to or be more than 30%.</li> </ul>
The Third Exercise Period	<ul style="list-style-type: none"> <li>● Return on equity for 2023 shall equal to or be more than 1.7% with a growth rate not lower than the 75 percentile of the benchmark enterprises or the industry average;</li> <li>● Average growth rate of net profit in 2023 over 2019 shall equal to or be more than 20% and no lower than the 75 percentile of the benchmark enterprises or the industry average; and</li> <li>● The percentage of revenue derived from non-connected transactions in 2023 shall equal to or be more than 31%.</li> </ul>

Notes:

- a) The above financial indicators of a specific year are subject to the Company’s published audited financial reports of that year. Net profit values shall refer to the net profit attributable to the owners of the parent after irregular items for the purpose of performance assessment.
- b)  $ROE \text{ growth rate} = (ROE_2 - ROE_1) / ABS(ROE_1) * 100\%$   
where  $ROE_2$  represents the net return on equity of the year under assessment;  $ROE_1$  represents the net return on equity of the year prior to the year under assessment.
- c)  $Average \text{ growth rate of net profit} = [1 - (NP/NP_0)]^{1/n} * 100\%$   
Where NP represents the net profit for the year under assessment;  $NP_0$  represents the net profit of 2019 and n represents the numbers of years.
- d) The Company shall be benchmarked against listed companies with similar total equity, capitalization, headcount and steady business performance selected in accordance with Global Industry Classification Standard (GICS). In the event of a significant change in the primary business of the benchmark companies, or extreme outliers showing excessive deviation, the corresponding samples will be removed or replaced by Board in the year-end assessment.

(4) Individual performance assessment requirements

Pursuant to the Performance Assessment Method for the Implementation of the Share Appreciation Rights Scheme of Changan Minsheng APLL Logistics Co., Ltd., percentage of Share Appreciation Rights in effect that may be exercised by Incentive Recipients within a specific Exercise Period depends on performance assessment results subject to satisfaction of performance assessment requirements in the preceding year. Incentive Recipients rating D or above in performance assessment for previous year may exercise Share Appreciation Rights in effect proportionally as per the provisions hereof. Incentive Recipients rating E in performance assessment for previous year shall be revoked of the right to exercise Share Appreciation Rights in effect during a specific Exercise Period and the corresponding outstanding Share Appreciation Rights shall be canceled. Performance ratings and corresponding exercisable percentage are set out in the table below.

Rating	A	B	C	D	E
Exercisable percentage	100%	100%	80%	50%	0%

\* The number of exercisable Share Appreciation Rights by an Incentive Recipient within an Exercise Period is the total sum by multiplying corresponding exercisable percentage by the total number of Share Appreciation Rights of the same period granted to that Incentive Recipient

## CHAPTER IX ADJUSTMENT PROCEDURES AND METHODS

### Article 21 Adjustment procedures

Where there is a change (limited to conversion of profits or reserves into shares, rights issue, share subdivision, share consolidation or capital reduction) in the capital structure of the Company while any Share Appreciation Rights remains exercisable, the Board shall have the right to make corresponding adjustment to the Exercise Price and/or the number of outstanding and effective Share Appreciation Rights granted under the Scheme. The adjustment should be made so that Incentive Recipients' proceeds entitled from Share Appreciation Rights under the Scheme remains the same as much as reasonably possible. No such adjustment is required for change in capital structure by reason of consideration issue.

A written legal opinion shall be made to the Board confirming the fairness and reasonableness of any of the above-mentioned adjustments made to the Scheme.

### Article 22 Methods for adjusting the number of Share Appreciation Rights

In the event of conversion of capital reserves into shares, distribution of bonus shares, share subdivision, or share consolidation prior to the exercise of the Share Appreciation Rights, the number of Share Appreciation Rights shall be adjusted according to the following methods:

- (1) Conversion of capital reserves into shares, distribution of bonus shares and share subdivision

$$Q=Q_0*(1+n)$$

where:  $Q_0$  represents the number of Share Appreciation Rights before adjustment;  $n$  represents ratio for conversion of capital reserves into shares, distribution of bonus shares or share subdivision per share (i.e. the number of additional shares per share arising from the conversion, distribution or subdivision);  $Q$  represents the adjusted number of Share Appreciation Rights.

- (2) Share consolidation

$$Q=Q_0*n$$

where:  $Q_0$  represents the number of Share Appreciation Rights before adjustment;  $n$  represents the share consolidation ratio (i.e., one share being consolidated to  $n$  shares);  $Q$  represents the adjusted number of Share Appreciation Rights.

### Article 23 Methods for adjusting the Exercise Price of Share Appreciation Rights

In the event of conversion of capital reserves into shares, dividend payout, distribution of bonus shares, share subdivision or share consolidation prior to the exercise of the Share Appreciation Rights, the Exercise Price of Share Appreciation Rights shall be adjusted according to the following methods:

(1) Conversion of capital reserves into shares, distribution of bonus shares and share subdivision

$$P=P_0/(1+n)$$

where:  $P_0$  represents the exercise price before adjustment;  $n$  represents the ratio of the conversion, distribution and subdivision per share;  $P$  represents the exercise price after adjustment.

(2) Share consolidation

$$P=P_0/n$$

where:  $P_0$  represents the exercise price before adjustment;  $n$  represents the ratio of share consolidation;  $P$  represents the exercise price after adjustment.

(3) Dividend payout

$$P=P_0-V$$

where:  $P_0$  represents the exercise price before adjustment;  $n$  represents the amount of dividend per share;  $P$  represents the exercise price after adjustment.

## **CHAPTER X ACCOUNTING TREATMENT UNDER THE SCHEME**

### **Article 24 Accounting Treatment of the Share Appreciation Rights**

According to relevant requirements of Enterprise Accounting Standard No. 11 – Share-based Payments and Enterprise Accounting Standard No.22 – Recognition and Measurement of Financial Instruments, the Company shall calculate and measure the cost of the Share Appreciation Rights granted under the Scheme as follows:

Accounting treatment on the Date of Grant: No accounting treatment is required as the Share Appreciation Rights are not exercisable on that date.

Accounting treatment during the Vesting Period: Pursuant to the relevant requirements of Enterprise Accounting Standard, the Company shall, on each balance sheet date during the restricted period and based on the best estimate of the number of exercisable Share Appreciation Rights, include the services rendered during the then period as costs for related assets or expenses for that period pursuant to the fair value of the Share Appreciation Rights on the Date of Grant, and to record at the same time in the item headed “salaries payable to employees” as liabilities.

Accounting treatment after the Vesting Date: Costs and expenses are no longer to be recognized, but changes in the fair value of liabilities (salaries payable to employees) should be included in the then current profits and losses (fair value change profit and loss account).

Accounting treatment on the Exercise Date: The costs and expenses of the exercised Share Appreciation Rights, shall be debited to "salaries payable to employees" and credited to “cash at bank”.

## **Article 25 Determination of the fair value of Share Appreciation Rights**

The Company selects the internationally accepted Black-Scholes option pricing model to estimate the fair value of the 4,861,400 Share Appreciation Rights granted under the Scheme. The value estimate herein is only a simulated valuation and will not serve as the basis for accounting treatment. The expected value of the Share Appreciation Rights will be re-evaluated based on such data as the actual share price as at the Date of Grant determined by the Board and the volatility of the share price. Based on the current market and data of the Company, the assumed values of relevant data used in the valuation of Share Appreciation Rights are as follows:

- (1) Price of the underlying share: HKD 1.78 (being the assumed closing price at the Date of Grant)
- (2) Expected duration: 3.5 years
- (3) Historical volatility: 33.60 % (being the historical volatility of the Company's Shares over the past 3.5 years)
- (4) Risk-free yield: 2.4256% (being the yield of Treasury bond with a maturity term of three years).
- (5) Dividend yield: 0

According to the above data, the expected value of each Share Appreciation Right granted under the Scheme is estimated to be HKD0.49, and the total expected value of the 4,861,400 Share Appreciation Rights granted under the Scheme is HKD2,382,100.

## **Article 26 Expected impact of share-based payment expenses on the Company's performance**

The total expected value is not the actual costs arising from the grant of Share Appreciation Rights hereunder, but may be considered the best estimate of the costs of the grant of share incentives at the current stage. Assuming the Date of Grant falls within December 2020 and the number of exercisable Share Appreciation Rights remains unchanged, the amortisation of the expenses of Share Appreciation Rights over the next few years is as follows:

Number of Share Appreciations (shares)	Total cost (HKD)	2020 (HKD)	2021 (HKD)	2022 (HKD)	2023 (HKD)	2024 (HKD)
4,861,400	2,382,100	71,700	860,200	827,100	441,100	182,000

The Company shall disclose in the annual report the audited total cost of the Share Appreciation Rights and amortized expenses recognised each year after the Share Appreciation Rights were granted.

## CHAPTER XI IMPLEMENTATION OF THE SCHEME

### Article 27 Grant procedures

- (1) Upon review and approval by the SASAC, the Scheme shall be submitted to the general meeting for consideration. Subject to approval by the general meeting, the Board shall handle the grant process according to the authorization of the general meeting.
- (2) The Board shall review and make an announcement on whether the Incentive Recipients satisfy the relevant conditions before granting Share Appreciation Rights.
- (3) The Supervisory Committee and Independent Directors shall both express clear opinions as to whether the grant conditions are satisfied.
- (4) The law firm shall issue legal opinions on whether the grant conditions are satisfied.
- (5) Where the list of Incentive Recipients and the Share Appreciation Rights granted thereto changes, the opinions of Independent Directors, the Supervisory Committee and the law firm shall all be obtained.

### Article 28 Exercise procedures

- (1) The Board shall determine the Exercise Date and the number of Share Appreciation Rights exercisable by each of the Incentive Recipients.
- (2) The Incentive Recipients may, before the Exercise Date, apply for the exercise of no more than the number of effective Share Appreciation Rights granted thereto.
- (3) The Company shall issue a written notice confirming the completion of the exercise to the Incentive Recipients within one (1) week after their application, and pay the proceeds (after tax) from the exercise to the Incentive Recipients within two (2) weeks.
- (4) Gains from Exercise of the Share Appreciation Rights

Gains from exercise of the Share Appreciation Rights = (Fair Market Price of the underlying Share on the Exercise Date - Exercise Price) × number of Share Appreciation Rights exercised - personal income tax payable.

- (5) Management of the gains from the exercise of the Share Appreciation Rights

In respect of the Share Appreciation Rights granted to the Directors, Senior managements, the cash gained from the exercise of Share Appreciation Rights shall be credited into the accounts opened by the Company for the Incentive Recipients. Not less than 20% of the cash gains in the account may only be withdrawn upon recognition of satisfactory performance at the end of their appointment (or term of office).

## CHAPTER XII

### RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE INCENTIVE RECIPIENTS

#### Article 29 Rights and obligations of the Company

- (1) The Company reserves the right to interpretation and implementation of the Scheme, performance assessment of Incentive Recipients, and supervision and verification of continuing eligibility thereof. Where any of the Incentive Recipients were subject to any of the circumstances as stated in Article 32 hereof, the Company shall take appropriate steps according to the Scheme upon the approval of the Board.
- (2) The Company is required to withhold and pay the individual income tax and other dues on behalf of the Incentive Recipients pursuant to national taxation laws and regulations;
- (3) The Company shall exert timely efforts to fulfill its reporting and disclosure obligations in compliance with relevant regulations;
- (4) Any grant of Incentive Recipient status by the Company does not entail any right of continuous employment of any Incentive Recipients and does not constitute any commitment made by the Company on employment term. The relationship between any Incentive Recipients and the Company shall be subject to the employment contract entered between the parties despite the Scheme.
- (5) The Company shall undertake that no Incentive Recipient concurrently participates equity incentive Schemes of two or more listed companies; and
- (6) The Company shall be entitled to any other rights and obligations conferred upon by applicable laws and regulations.

#### Article 30 Rights and obligations of the Incentive Recipients

- (1) The Incentive Recipients shall contribute to the development of the Company by working diligently and ethically in accordance with his or her responsibilities with the Company;
- (2) The Incentive Recipients shall exercise the Share Appreciation Rights granted to them in accordance with the provisions hereof;
- (3) The Incentive Recipients shall pay individual income tax and other dues on the benefits received under the Scheme pursuant to national taxation regulations; and
- (4) The Incentive Recipients shall be entitled to any other rights and obligations conferred upon by applicable laws and regulations.



## **CHAPTER XIII**

### **ACTIONS TO BE TAKEN IN THE EVENT OF UNUSUAL CHANGES IN COMPANIES AND INCENTIVE RECIPIENTS**

#### **Article 31     Actions to be taken in the event of unusual changes in the Company**

- (1) The Company shall cancel all outstanding Share Appreciation Rights granted and terminate the Scheme in the event of:
  - (a) change in control of the Company;
  - (b) merger or division of the Company;
  - (c) having its latest annual financial statements issued with adverse opinion or disclaimer of opinion by a certified public accountant;
  - (d) being imposed of any administrative penalty by the securities regulatory authorities in the most recent year for material non-compliance; or
  - (e) Other circumstances under which the regulator deems it necessary to terminate the Scheme.
- (2) In the event of failure by the Company to meet the grant or exercise conditions due to false representations, misleading statements or material omissions in the information disclosure documents, outstanding Share Appreciation Rights that shall be canceled by the Company, and any benefits gained from exercising any part of Share Appreciations Rights shall be returned by Incentive Recipients. The Board shall recover the benefits received by the Incentive Recipients pursuant to the provision hereof and applicable arrangement under the Scheme.

#### **Article 32     Actions to be taken in the event of unusual changes in Incentive Recipients**

- (1) Where an Incentive Recipient remains with the Company despite being assigned to a different position within the Company, a branch or subsidiary thereof or an external post, the Share Appreciation Rights granted thereto shall remain subject to appropriate procedures as provided in the Scheme despite the change. Where an Incentive Recipient is no longer eligible under the scheme as a result of being appointed or otherwise becoming a Supervisor or pursuant to relevant laws and regulations, the outstanding effective Share Appreciation Rights granted thereto shall be exercised within six months from the date on which such circumstance rises and those under his or her name under the Scheme which have not yet come effective shall be revoked and canceled by the Company.
- (2) Where an Incentive Recipient separates due to objective reasons such as job transfer, dismissal, retirement, decease, loss of civil capacity, etc., the Share Appreciation Rights granted thereto which have come into effective shall be exercised in accordance with the corresponding performance-based exercisable percentage on the Exercise Date within 6 months from the date of departure. Any outstanding Share Appreciation Rights in effect shall be canceled upon the expiry of the six-month period and those which have not yet come into effect shall no longer be exercised and shall be canceled by the Company.

- (3) Where an Incentive Recipient resigns or separates for personal reasons, the Share Appreciation Rights granted thereto which have not yet been exercised shall become invalidated on the date of departure and shall be canceled by the Company.
- (4) Where an Incentive Recipient has any of the following circumstances occurred to him or her during the Validity Period of the Scheme, the Share Appreciation Rights granted thereto which have not yet been exercised shall be invalidated and canceled by the Company. The Company may demand return of benefits gained from exercising any part of the Share Appreciation Rights under the Scheme and hold such Incentive Recipient responsible according to relevant laws and regulations.
  - (a) were shown by financial accountability auditing as ineffective performance of functions, gross negligence or malfeasance in office;
  - (b) were in violation of relevant laws, regulations and Articles of Associations of the Company;
  - (c) were in breach of relevant laws and regulations and imposed of punishment(s) for misconducts such as demanding and accepting bribes, engaging in embezzlement and theft, leaking trade and technical secrets of the Company, or conducting connected transactions that damage the Company's interests, reputation and have a significantly negative impact on the Company's image;  
or
  - (d) has failed to perform or properly perform his or her duties, which has caused significant asset losses and other severe adverse consequences to the Company.
- (5) Other circumstances not specified herein and corresponding handling thereof shall be identified and determined by the Remuneration Committee under the Board.

## **CHAPTER XIV    MODIFICATION AND TERMINATION OF THE SCHEME**

### **Article 33    Modification of the Scheme**

With respect to the Incentive Recipients who have accepted Share Appreciation Rights under the Scheme, in the case of modification or suspension of the Scheme, no changes or impairment may be made or caused to the rights and obligations previously attached to such Incentive Recipients without their prior consent. Subject to the foregoing conditions, the Board can make modifications to the Scheme as they deemed necessary in the following manner:

- (1) Any changes made to the Scheme before the general meeting to be held for approving the Scheme shall have to be approved by the Board.
- (2) Any further changes made to the Scheme after the general meeting held for approving the Scheme shall have to be approved by the general meeting.
- (3) The independent opinion of the Independent Directors and the Supervisory Committee shall be obtained as to whether any revised Scheme is conducive to the sustainable development of the Company and whether there is any substantial harm to the interests of the Company and its Shareholders.

- (4) The legal opinion as to whether any revised Scheme complies with the provisions hereof and applicable laws and regulations, and whether there is any substantial harm to the interests of the Company and its Shareholders.

Where relevant laws, regulations, agreements or The Stock Exchange requires that approval must be obtained from the shareholders' general meeting and/or the securities exchange for making certain modifications to the Scheme, the Board shall obtain such approval.

#### **Article 34 Termination of the Scheme**

The Scheme will automatically terminate upon the expiry of the Validity Period. The Board has the right to decide an early termination of the Scheme at any time. In the event that the Board decides to terminate the Scheme before its expiry, the Company shall cease to grant any Share Appreciation Rights under the Scheme.

Unless otherwise stated, the Share Appreciation Rights granted prior to the termination of the Scheme shall remain valid and continue to be exercisable in accordance with the provisions thereof.

### **CHAPTER XV SUPPLEMENTARY PROVISIONS**

**Article 35** The Scheme shall take effect upon the satisfaction of the following conditions:

- (1) A letter of approval from the SASAC has been obtained; and
- (2) The general meeting has approved and adopted the Scheme in the form of a resolution.

**Article 36** The Share Appreciation Rights shall belong to the Incentive Recipient and shall not be transferred. The Incentive Recipient shall not sell, transfer, pledge, charge, mortgage, set off debts with, encumber or create any interest in favour of any third party over or in relation to any Share Appreciation Rights or enter into any agreement to conduct any of the foregoing, and shall not facilitate or hamper any interest of any third party directly or indirectly related to the Share Appreciation Rights. If an Incentive Recipient is in violation of the aforesaid provisions, the Share Appreciation Rights transferred shall lapse automatically. The Company is also entitled to forfeit any remaining Share Appreciation Rights held by such Incentive Recipient (to the extent of outstanding).

*The Scheme was originally written in Chinese and its English version, which is an unofficial translation, is for reference only. In case of any inconsistencies between the Chinese and the English versions, the Chinese version shall prevail.*