

Summary of First Time Granting Plan (Revised Draft) of Stock Options

August 2014

Statement

I Our company and the whole directors and supervisors ensure that the incentive plan (draft) and its abstract do not have false records, misleading description or major omissions, and take the individual and joint legal liability for its authenticity, accuracy and completeness.

II As for the incentive targets, no corporate independent director, no corporate supervisor, no major shareholder or actual controller who hold more than 5% of the share and no non-state-owned shareholder who hold more than 5% of the share, except those who have been approved by vote at the general meeting of shareholders (related shareholders must avoid voting). The overall incentive targets have not joined two or more than two equity incentive plans from the listed companies.

Special Notice

I The first time granting plan of stock options (hereinafter referred to as “the plan”, “stock options plan”) is formulated in accordance with relevant laws, administrative provisions, normative documents of *Company Law of the People’s Republic of China*, *Securities Law of the People’s Republic of China*; *State-owned Listing Corporation (China) the Implementation of Equity Incentive Pilot Scheme*, *Notice on Issues Concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies and State-owned listing Corporation*, the *Implementation of Equity Incentive Guidelines (Draft for suggestions)* promulgated by State-owned Assets Supervision and Administration Commission of the State Council; *Listing Corporation Equity Incentive Management Measures (Trial)*, *Equity Incentive Related Matters Memorandum No. 1/2/3* promulgated by China Securities Regulatory Commission, and *Articles of Association of China Merchants Property Development Co., Ltd.* (hereinafter referred to as “Merchants Property”, or “the company”, or “our company”).

II The plan is formulated to further improve the value of shareholders, support corporate strategic achievement and long-term sustainable development, closely

connect the benefits of the core staff with the shareholders and the company, to further attract, motivate and retain the core talents and optimize the corporate administration.

III The plan adopts stock options as the equity incentive measure, each stock options granted by the plan has the right to purchase one stock of A shares of corporate common stock in the vesting period of when the condition and arrangement of coming into force has been met.

IV The overall number of A shares of corporate common stocks related to the plan is 24,503,400 stocks, accounting for 0.951% of the total corporate shares.

V The incentive targets granted by the plan are directors, senior executives, middle-level executives and key technical personnel, without individual director, supervisor and non-state-owned shareholder who hold more than 5% of the share, with total incentive targets of 149, accounting for 0.98% of the overall corporate employees.

VI The term of validity of the plan is 7 years from the date of granting. The stock options granted the plan shall not exercise within 36 months from the date of granting. The stock options which are granted to the incentive object will go into effect in 3 batches when the condition of coming into force can be met. The detailed arrangement is as follows:

(1) The plan grants 1/3 of the stock options of the overall number to go into effect after the third year (36 months) from the date of granting. The number which goes into effect for the granted object individual shall also be regulated according to the personal performance assessment result of the previous year. However, the actual number which will go into effect shall not be more than 1/3 of the initially personal granted total; for this batch of the activated options, exercise is completed within 24 months as of the activation day.

(2) The plan grants 1/3 of the stock options of the overall number to go into effect after the fourth year (48 months) from the date of granting. The number which goes into effect for the granted object individual shall also be regulated according to the personal performance assessment result of the previous year. However, the actual

number which will go into effect shall not be more than 1/3 of the initially personal granted total; for this batch of the activated options, exercise is completed within 24 months as of the activation day.

(3) The plan grants 1/3 of the stock options of the overall number to go into effect after the fourth year (60 months) from the date of granting. The number which goes into effect for the granted object individual shall also be regulated according to the personal performance assessment result of the previous year. However, the actual number which will go into effect shall not be more than 1/3 of the initially personal granted total; for this batch of the activated options, exercise is completed within 24 months as of the activation day.

VII The stock options which are not exercise will be totally invalid and withdrew and cancelled uniformly by the company after the expiration of the term of validity of the plan.

VIII Exercising price of the stock options granted by the plan will be the person who has the higher price in the following price:

(1) The closing price of the stock which is marked by the company one market day before the announcement of the draft plan.

(2) The arithmetically average closing price of the share which is marked by the company 30 market days before the announcement of the draft plan.

In accordance with the above principles, China Merchants Property determined the exercise price of the first granted stock options to be 17.34 yuan. Exercise price will be regulated in accordance with the relevant provision of the plan, if there are, in the term of validity of the plan, issuance of interest, capital reserve transfer to increase the share, issuance of dividends, share split or shrink, right offerings, etc. The Company announced the Scheme of Annual Profit Distribution 2013 and Capital Reserve Transferred into Equity on May 30, 2014, and China Merchants Property adjusted the exercise price of the first granted stock options to be 11.24 yuan according to the relevant regulation of the plane.

IX Only if the company of the incentive object meets the following condition, the stock options can be granted, for the previous financial year before the time when the

stock options is granted.

(1) Rate of return of net assets which are deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the time when the merchants property offers the granting shall not be lower than the arithmetically average value of rate of return of net assets which are deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest three years before the time when the merchants property offers the granting and not be lower than the 50 percentile level of the rate of return of net assets which are deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year of the benchmarking enterprises;

(2) Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the time when the merchants property offers the granting shall not be lower than 15% and not be lower than the 50 percentile level of three years' compound growth rate of the rate of net profit which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year of the benchmarking enterprises;

(3) Overall asset turnover rate for the previous financial year before the time when the merchants property offers the granting shall not be lower than the arithmetically average value of overall asset turnover rate which is for the latest three years before the time when the merchants property offers the granting and not be lower than the 50 percentile level of overall asset turnover rate which is for the previous financial year of the benchmarking enterprises;

(4) The condition regulated in the paragraph I Article XVIII of the plan did not occur in the company;

(5) Personal performance assessment result of the incentive object for the previous financial year before the time when the stock options is granted is qualified or above and the condition regulated in the paragraph III Article XVIII of the plan did not occur.

X The stock options party can go into effect, if the company or the incentive object meets the following condition in the previous financial year before the year when the stock options has go into effect;

(1) Rate of return on net assets which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the year when it has go into effect shall not be lower than the object value mentioned in the following table and not be lower than the 75 percentile level of that in the same period from the benchmarking enterprises; furthermore, the rate of return on net assets which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the year when it has go into effect shall not be lower than the net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses in 2013 of China Merchants Property;

The first batch which goes into effect	The second batch which goes into effect	The third batch which goes into effect
Rate of return on net assets (ROE) which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the whole financial year shall not be lower than 13% when this batch goes into effect.	Rate of return on net assets (ROE) which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the whole financial year shall not be lower than 13% when this batch goes into effect.	Rate of return on net assets (ROE) which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the whole financial year shall not be lower than 13% when this batch goes into effect.

(2) Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before each year when it has go into effect shall not be lower than the object value mentioned in the following table and not be lower than the 75 percentile level of that in the same period from the benchmarking enterprises;

The first batch which goes into effect	The second batch which goes into effect	The third batch which goes into effect
Three years' compound growth rate of net profit	Three years' compound growth rate of net profit	Three years' compound growth rate of net profit

rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest whole financial year shall not be lower than 15% when this batch goes into effect.	rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest whole financial year shall not be lower than 15% when this batch goes into effect.	rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest whole financial year shall not be lower than 15% when this batch goes into effect.
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(3) Overall asset turnover rate of the merchant property shall not be lower than the object value mentioned in the following table when each batch of equity goes into effect;

The first batch which goes into effect	The second batch which goes into effect	The third batch which goes into effect
Overall asset turnover rate of the latest whole financial year shall not be lower than 20% when this batch goes into effect.	Overall asset turnover rate of the latest whole financial year shall not be lower than 20% when this batch goes into effect.	Overall asset turnover rate of the latest whole financial year shall not be lower than 20% when this batch goes into effect.

(4) The net profit which is belonged to the shareholders from the listed company in each year and the net profit which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company shall not be lower than the average level of the latest three accounting years before the granted day and not be negative, when it is the waiting period for the stock options.

(5) For the activation time point of each batch, the three-year strategic assessment score of the completed latest period shall not be lower than 90.

(6) Performance assessment result of the incentive object for the previous year before the time when the stock options goes into effect is qualified or above and the condition regulated in the paragraph III Article XVIII of the plan did not occur.

XI All capital which the incentive object performs stock options will be solved by self-raised. The company promises not to offer loan and other forms of the financial aid, including provide the guarantee for the loan, to the incentive object performing the stock options as per the plan.

XII The plan can be implemented if the remuneration and appraisal commission of the board of directors draws up the draft, submit to the board of directors for approval and meet the following conditions: examination and approval from the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission putting on record and without dissents and approval from the general meeting of shareholders of the company.

XIII The company holds the general meeting of shareholders to grant the incentive object and complete the relevant procedures of registration and announcement as per the regulation of the company within 30 days of examination and approval of the plan

by the general meeting of shareholders.

XIV Within 30 days before this incentive plan is disclosed, the Company did not have the significant matters prescribed in Article 30 of the *Regulations on the Information Disclosure of the Listed Companies* of China Securities Regulatory Commission, and did not have the condition of the implementation of the significant matters such as issuing additional new shares, asset injection and issuing convertible bonds etc. being not completed. The Company promised that it would not have the significant matters such as issuing additional new shares, asset injection and issuing convertible bonds etc. within 30 days from when this incentive plan is disclosed to when the Shareholders' Meeting examines and approves this incentive plan.

Chapter I Explanation

The nouns and terms below in the plan will have the following interpretations, except that there are other explanations:

The plan refers to the *First Time Granting Plan of the Stock Options China Merchants Property Development Co. Ltd* (Stock options Plan for short)

Company also known as the company, listed company, refers to China Merchants Property Development Co. Ltd (Merchants Property for short).

Stock also known as the underlying stock, refers to A shares of common stock with the nominal value of 1.00 RMB issued by the company.

Stock options also known as equity, refers to the right which is granted by the company to the incentive object purchasing certain amount of stock with predefined price and condition in certain period of time in the future. The incentive object has right to execute this right and also has right to abandon it. But it cannot be used for transfer, pledge or repay the debt.

Board of directors refers to the board of directors of the company.

Board of supervisors refers to the board of supervisors of the company.

Directors refers to the member of the board of directors of the company.

Outside director refers to external personnel who are not the employee of the company or holding company as the director. Outside director will not hold other position apart from the director and related position in the special committee of the board of directors, not responsible for the matters in the executive level and without relationship which will probably influence the justice fulfillment of duties as the

outside director. The outside director does not include independent director.

Independent director refers to the personnel who do not have any economical interests relation with the company at which the personnel are employed and do not have any position except being director at the company.

Supervisor refers to the member of the board of supervisors

Remuneration committee refers to the remuneration and appraisal committee. Members are all the independent director of the company.

Incentive object refers to the personnel who are granted the stock options under the plan.

Granting day refers to the date on which the company will grant the stock options to the incentive targets after the granting conditions have been met under the regulation of the plan. Granting day must be the market day.

The date on which it goes into effect also known as the vesting date, refers to the date on which the stock options that the incentive object are granted can start to exercise on the premise that the condition and arrangement of going into effect regulated by the plan can be met. The date on which it goes into effect must be the market day.

Option exercising refers to the behaviour by which the incentive object exercise the right of the stock options to purchase the corporate stock.

Term of validity of equity refers to the term of validity of the stock options granted under the plan. The equity which the incentive object has gained the granting but has not exercise the equity yet will be invalid automatically after the term of validity has expired.

Restricted period for equity exercising refers to the period from the granting day of the stock options to the date on which the stock options goes into effect. The stock options which has been granted to the incentive object cannot be exercised the equity in the restricted period.

Arrangement for going into effect refers to arrange the stock options going into effect in batches as per the timetable which has been regulated in advance.

Exercise price refers to the price which is confirmed when the company grants the stock options to the incentive object and when the incentive object exercises the equity and purchases the corporate stock.

Fair value refers to the stock options value which is confirmed by the stock options pricing model.

Overall remuneration level refers to the overall remuneration level to the next granted interval when the incentive object is granted the stock options (including equity incentive interest). The fixed number of years of statistics and the granted interval of stock options plan match.

Expected revenue refers to expected value by which the incentive object is granted the stock options. It is confirmed by multiplying fair value and granted number of the stock options per unit.

Market day refers to the date on which the Shenzhen Stock Exchange opens and trades the value securities.

Stock Exchange refers to the Shenzhen Stock Exchange.

Chapter II General Principles

Article 1 The plan is formulated in accordance with laws, administrative provisions, normative documents of *Company Law of the People's Republic of China*,

Securities Law of the People's Republic of China; State-owned Listing Corporation (China) the Implementation of Equity Incentive Pilot Scheme, Notice on Issues Concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies and State-owned listing Corporation, the Implementation of Equity Incentive Guidelines (Draft for suggestions) promulgated by State-owned Assets Supervision and Administration Commission of the State Council; Listing Corporation Equity Incentive Management Measures (Trial), Equity Incentive Related Matters Memorandum No. 1/2/3 promulgated by China Securities Regulatory Commission, and Articles of Association of China Merchants Property Development Co. Ltd.

Article 2 The plan must be discussed and passed by the board of directors, and obtained examination and approval from the State-owned Assets Supervision and Administration Commission of the State Council, put on record and without dissents by the China Securities Regulatory Commission and gained approval from the general meeting of shareholders of the company and then the board of directors will be authorized to conduct the specific implementation.

Article 3 The formulation of the plan by the company is to support corporate development planning, safeguard the interests of shareholders, facilitate performance improvement and implementation of strategy, perfect remuneration incentive system of the company and form effective incentive to corporate director, senior executives and key management and technical old guards. The company expects that:

- (1) To support the development strategy of Merchants Property, facilitate the sustainable development of the company, safeguard the interests of shareholders and achieve maintain and increase value of the national asset by means of establishment of equity incentive mechanism;
- (2) make the linkage among the interest of the incentive object,

shareholders and the company, push forward the sustainable improvement of the corporate performance and achieve the long-term strategic objective by means of implementation of equity incentive;

- (3) Remain the competitive market advantage of the Merchants Property, attract, retain and motivate core old guards in order to support and push forward the final achievement strategic objective of the company by means of implementation of equity incentive.

Article 4 To implement the plan, the company must have standardized corporate management structure, which includes main conditions:

- (1) The management structure of the company is sound. Operation of the general meeting of shareholders, the board of directors, and the board of supervisors is normatively and the power can be fulfilled in accordance with the regulation of laws and provisions and *articles of association*. The system of election of general meeting of shareholders and replacement of the directors is sound and the functions of selection, appraisal and motivation of the senior executives are in place;
- (2) Outside directors (including independent directors) account for more than half of the members of the board of directors. The remuneration and appraisal commission is formed only by outside directors and has sound system, perfect rule of procedure and standardized operation;
- (3) Basic management system of the company is standardized and internal control system is sound. It has established labor and employment system, performance appraisal system and remuneration and welfare system which meet the requirement of the market competition;
- (4) The company has clear development strategy, good capital

quality and financial state, steady performance and is without illegal behavior and illicit record concerning finance, revenue distribution and remuneration management in the past three years.

Article 5 The general meeting of shareholders is the supreme organ of power and responsible for examination and approval of the plan. The board of directors is mainly responsible for the execution management of the stock options plan which is authorized by the general meeting of shareholders and empower the remuneration and appraisal commission to draw up the draft of the plan and submit the list of incentive targets and granted number which are submitted to the general meeting of shareholders and external regulatory authority for examination and approval. The board of directors guides relevant internal organization and department of the company handle specifically related matters concerning the implementation of the stock options plan within the scope of empowerment. The board of supervisors is the supervision authority of the plan and responsible to examine the list of incentive targets and to supervise whether the implementation of the plan is in accordance with relevant laws, provisions, department regulation, normative documents and business rules of the stock exchange.

Chapter III Basis and Scope of Determination of Incentive Targets

Article 6 Basis of determination for incentive targets

The scope of incentive targets is determined in accordance with relevant laws, administrative provisions, normative documents of *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*; *State-owned Listing Corporation (China) the Implementation of Equity Incentive Pilot Scheme*, *Notice on Issues Concerning Regulating the Implementation of the Equity Incentive System* by the *State-Controlled Listed Companies and State-owned listing*

Corporation, the Implementation of Equity Incentive Guidelines (Draft for suggestions) promulgated by State-owned Assets Supervision and Administration Commission of the State Council; *Listing Corporation Equity Incentive Management Measures (Trial), Equity Incentive Related Matters Memorandum No. 1/2/3* promulgated by China Securities Regulatory Commission, and *Articles of Association* of China Merchants Property Development Co. Ltd.

Principles for the determination of incentive targets of the plan are as follows:

- (1) The incentive targets, in principle, are limited to corporate directors, senior executives and key management and technical personnel who have direct influence on the operation performance and sustainable development of the company. The scope shall not be extended without permission;
- (2) Supervisors and independent directors shall not participate in the plan;
- (3) Any non-state-owned shareholder who hold more than 5% of the corporate share shall not participate in the plan on the granting day of the stock options, except those which have been approved by the vote of the general meeting of shareholders (related shareholders must avoid the vote);
- (4) People who are not allowed to be the incentive object regulated by the China Securities Regulatory Commission cannot participate in the plan;
- (5) The appraisal result of incentive targets shall be qualified or above in accordance with the relevant measures of the performance appraisal of the company.

People who have one of the following conditions cannot be the incentive object of the plan:

- (1) Denounced publicly or announced as the inappropriate candidate by

the stock exchange in the past three years;

- (2) Given administrative punishment through seriously illicit behavior by the China Securities Regulatory Commission in the past three years;
- (3) Have the condition which is not allowed to be the director and senior executive regulated by the relevant law and regulations.

Article 7 Scope of incentive targets

- (1) Directors and senior executives of the Merchants Property, (namely, the personnel who have the responsibility of leadership and execution of the corporate operation management), and people in senior managing positions which have the same level as the above positions amount to 21, wherein directors and senior executives amount to 17, specifically including: president, vice-president, directors, general managers, vice-general managers, chief financial officer, chief engineer, chief economic manager and secretary of the board of directors.
- (2) Middle-level executives of the Merchants Property, namely the management who have direct influence on the operation performance and sustainable development of the company, specifically including: Merchants Property general manager's assistant, chief position at the department, deputy position at the department and people in crucial managing positions which have the same level as the above positions;
- (3) Key technical personnel of the Merchants Property, namely the key technical personnel who have direct influence on the operation performance and sustainable development of the company.

Total incentive targets of the plan are 149, of which directors and senior executives are 17. The incentive targets promise that the right of joining the plan will be abandoned and any compensation cannot be gained if the incentive object has the condition which cannot be the incentive object

regulated by relevant law, provisions and the plan during the implementation of the plan.

Chapter IV Incentive Measures and Source of Underlying Stock

Article 8 Incentive Measures

Stock options are adopted as the incentive measure for the plan.

Stock options refers to the right to purchase one stock of corporate stocks with the exercising price which has been agreed in advance

Article 9 Source of underlying stock

Underlying stock involved in the plan is A share of corporate common stock, source is the corporate stock which is directionally issued to the incentive targets.

Chapter V Granting Number, Distribution and Granting Situation of Stock Options

Article 10 Granting number

The number of underlying stock involved in the overall stock options which is granted to the incentive object for one time drew up in the plan is 24,503,400 stocks, accounting for 0.951% of total corporate stock when they were granted, without reserved stocks.

Totally accumulative stocks which are obtained by any incentive object by means of the plan and other valid equity incentive plans (if have) shall not be more than 1% of the totally corporate stocks, without the special approved resolution from the general meeting of stockholders.

The number of stock options will be regulated correspondingly in accordance with the relevant provision in Article 25 of the plan, if there are, in the term of validity of the stock options, issuance of interest, capital reserve transfer to increase the stock, issuance of dividends, stock split or shrink, right offerings, etc.

Article 11 Distribution of stock options

(1) 6,912,200 in the stock options of 24,503,400 (make up 28.2% of

the total granting number) which are granted by the plan will be granted to the corporate directors and senior executives.

- (2) 17,591,200 in the stock options of 24,503,400 (make up 71.8% of the total granting number) which are granted by the plan will be granted to other incentive targets apart from directors and senior executives.

Article 12 Granting situation of stock options

N	Name	Position	Number of granted stock options (10,000)	Ratio which accounts for the total stock options which are expected to grant in the plan	Ratio which accounts for the totally corporate stock
1	Sun Chengming	President	25.73	1.05%	0.010%
2	Fu Gangfeng	Vice-president	24.18	0.99%	0.009%
3	Yang Tianping	Vice-president	46.25	1.89%	0.018%
4	He Jianya	Managing director	64.16	2.62%	0.025%
5	Hu Yong	Director	20.16	0.82%	0.008%
6	Wu Zhenqin	Director of chief financial officer	36.45	1.49%	0.014%
7	Chen Gang	Director	23.96	0.98%	0.009%
8	Liu Wei	Vice-general manager	36.45	1.49%	0.014%
9	Yang	Vice-general	36.45	1.49%	0.014%

	Zhiguang	manager			
10	Hu Jianxin	Chief green low carbon officer, chief engineer	36.45	1.49%	0.014%
11	Zhu Wenkai	Vice-general manager	36.45	1.49%	0.014%
12	Meng Cai	Vice-general manager	36.45	1.49%	0.014%
13	Zhang Lin	Vice-general manager	36.45	1.49%	0.014%
14	Wang Zhengde	Chief economist	36.45	1.49%	0.014%
15	He Fei	Vice-general manager	36.45	1.49%	0.014%
16	Wang Xi	Vice-general manager	35.61	1.45%	0.014%
17	Liu Ning	Secretary of the board of directors	25.91	1.06%	0.010%
18	Wang Li	Senior consultant	36.45	1.49%	0.014%
19	Gong Tao	General manager of affiliated property	22.67	0.92%	0.009%
20	Zheng Hua	Secretary of the party committee and vice-general manager of affiliated	17.22	0.70%	0.007%

		property			
21	Lin Shuming	General manager of affiliated power supply	20.87	0.85%	0.008%
22	General manager assistant level (2 people)		59.38	2.42%	0.023%
23	Chief position level at the department (42 people)		706.86	28.85%	0.274%
24	Deputy level at the department (84 people)		992.88	40.52%	0.385%
Total (149)			2450.34	100.00%	0.951%

Chapter VI Term of Validity and Arrangement for Going into Effect

Article 13 Term of validity

Term of validity of the plan is 7 years, counted from the granting day, in other words employees can arrange to exercise within 7 years from the granting day in accordance with the stock options plan. Stock options which have not exercised the equity yet will be invalid automatically seven years after the granting day.

Article 14 Arrangement for Going into Effect

Restricted period for exercising the stock options which are granted by the plan is three years (36 months) and shall not exercise within the restricted period. Stock options will go into effect with even speed in 3 batches, after the restricted period and on the premise that the Merchants Property meets the relevant performance conditions. Specific arrangements for going into effect are as follows:

- (1) The plan grants 1/3 of the stock options of the overall number to go into effect after the third year (36 months) from the date of granting. The number which goes into effect for the granted object individual shall also be regulated according to the

personal performance assessment result of the previous year. However, the actual number which will go into effect shall not be more than 1/3 of the initially personal granted total; for this batch of the activated options, exercise is completed within 24 months as of the activation day.

(2) The plan grants 1/3 of the stock options of the overall number to go into effect after the fourth year (48 months) from the date of granting. The number which goes into effect for the granted object individual shall also be regulated according to the personal performance assessment result of the previous year. However, the actual number which will go into effect shall not be more than 1/3 of the initially personal granted total; for this batch of the activated options, exercise is completed within 24 months as of the activation day.

(3) The plan grants 1/3 of the stock options of the overall number to go into effect after the fifth year (60 months) from the date of granting. The number which goes into effect for the granted object individual shall also be regulated according to the personal performance assessment result of the previous year. However, the actual number which will go into effect shall not be more than 1/3 of the initially personal granted total; for this batch of the activated options, exercise is completed within 24 months as of the activation day.

The part which did not exercise within the exercising period shall not be exercised in the later period. The stock options which are not exercise will be totally invalid and withdrew and cancelled uniformly by the company after the expiration of the term of validity of the plan.

The Directors and senior management in the incentive objects shall exercise according to the tenure assessment or the economic responsibility audit result, reserve the stock option not lower than 20% of

their authorized sum, and exercise after being qualified in the tenure (or office) assessment during the stock option authorization.

The incentive object can apply for exercising within the exercising period. However, exercising cannot be conducted in the following period:

- (1) 30 days before the announcement of the periodical reports of the company to 2 days after the market day. The day for the announcement of the periodical reports through special reason, count from 30 days before the original announcing day;
- (2) 10 days before the preannouncement of corporate performance and express report on performance to within 2 market days after the announcement;
- (3) Major transaction or the decision process of major issues to within 2 market days after the announcement of the issue;
- (4) The day on which other major event occurs and may influence the stock price to 2 market days after the announcement.

Chapter VII Granting Day and Exercising Price of Stock Options

Article 15 Granting day

- (1) Granting day of the stock options is determined by the board of directors in accordance with relevant provisions. However, the granting day cannot be the following period:
 1. 30 days before the announcement of the periodical reports
 2. Major transaction or the decision process of major issues to within 2 market days after the announcement of the issue;
 3. The day on which other major event occurs and may influence the stock price to 2 market days after the announcement.

The above “major transaction”, “major issue”, and “major event which may influence the stock price” are transaction or other major issue which shall be exposed in accordance with the relevant provision.

- (2) Granting day of the stock options under the plan shall be determined by the board of directors within one month after the date when the plan has been approved by the board of directors.
- (3) Granting day of the stock options shall be the market day. The granting day shall be postponed to the first market day if the day which is determined by the above principle is not the market day.

Article 16 Exercising price

Exercising price of the stock options which are granted under the plan shall be the higher price among the following price:

- (1) The closing price of the corporate stock on the market day which is one day before the announcement of the draft plan.
- (2) The arithmetically average closing price of the corporate stock on the market day which is 30 days before the announcement of the draft plan. Exercising price will be regulated in accordance with the relevant provision of Article 22 in the plan, if there are, in the term of validity of the plan, issuance of interest, capital reserve transfer to increase the stock, issuance of dividends, stock split or shrink, right offerings, etc.

China Merchants Property Development announced the Scheme of Annual Profit Distribution 2013 and Capital Reserve Transferred into Equity on May 30, 2014, with the total capital stock of 1,717,300,503 shares as the base number, gave cash of RMB 4.80 Yuan (including tax) for each 10 shares, and for each 10 shares, transferred into 5 common shares with the capital reserve. Therefore, the exercise price after the adjustment of China Merchants Property Development granting stock option for the first time is: $(17.34-0.48)/(1+0.5)=\text{RMB } 11.24 \text{ Yuan}$.

Chapter VIII Granting Condition and Exercising Condition of Stock Options

Article 17 Granting condition of stock options

- (1) One of the following circumstances has not happened to the company:
 1. Financial reports were given negative opinions or audit reports which cannot express opinions by chartered public accountants in the latest accounting year;
 2. Given administrative punishment through seriously illicit behavior by the China Securities Regulatory Commission in the latest one year;
 3. Other circumstances which are identified by the China Securities Regulatory Commission;
- (2) The company reaches the following performance conditions:
 1. Rate of return of net assets which are deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the time when the merchants property offers the granting shall not be lower than the arithmetically average value of rate of return of net assets which are deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest three years before the time when the merchants property offers the granting and not be lower than the 50 percentile level of the rate of return of net assets which are deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year of the benchmarking enterprises;
 2. Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the time when the merchants property offers the granting shall not be lower than 15% and not be lower than the 50 percentile level of three years' compound growth rate of the rate of net profit which is deducted the non-recurring profit and loss

and belonged to the shareholders from the listed company for the previous financial year of the benchmarking enterprises;

3. Overall asset turnover rate for the previous financial year before the time when the merchants property offers the granting shall not be lower than the arithmetically average value of overall asset turnover rate which is for the latest three years before the time when the merchants property offers the granting and not be lower than the 50 percentile level of overall asset turnover rate which is for the previous financial year of the benchmarking enterprises;

(3) One of the following circumstances has not happened to the incentive object individual:

1. Denounced publicly or announced as the inappropriate candidate by the stock exchange in the past three years;

2. Given administrative punishment through seriously illicit behavior by the China Securities Regulatory Commission in the past three years;

3. Have the condition which is not allowed to be the director and senior executive regulated by *Company Law of the People's Republic of China*;

4. Appraisal result of personal performance one year before the granting of the stock options fails to be qualified or above.

The company shall not grant any stock option, if the company did not reach the granted condition; the company shall not grant any stock option to the incentive object in accordance with the plan if the incentive object did not reach the granted condition.

Article 18 Condition for going into effect of stock options

Stock options party which is granted under the plan can arrange going into effect, if the company and incentive targets meet the following conditions:

(1) The company has reached the following performance condition:

1. Rate of return on net assets which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the year when it has go into effect shall not be lower than the object value mentioned in the following table and not be lower than the 75 percentile level of that in the same period from the benchmarking enterprises; furthermore, the rate of return on net assets which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before the year when it has go into effect shall not be lower than the net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses in 2013 of China Merchants Property;

The first batch which goes into effect	The second batch which goes into effect	The third batch which goes into effect
Rate of return on net assets (ROE) which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the whole financial year shall not be lower than 13% when this batch goes into effect.	Rate of return on net assets (ROE) which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the whole financial year shall not be lower than 13% when this batch goes into effect.	Rate of return on net assets (ROE) which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the whole financial year shall not be lower than 13% when this batch goes into effect.

2. Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the previous financial year before each year when it has go into effect shall not be lower than the object value mentioned in the following table and not be lower than the 75 percentile level of that in the same period from the benchmarking enterprises;

The first batch which goes	The second batch which	The third batch which goes
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into effect	goes into effect	into effect
Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest whole financial year shall not be lower than 15% when this batch goes into effect.	Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest whole financial year shall not be lower than 15% when this batch goes into effect.	Three years' compound growth rate of net profit rate which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company for the latest whole financial year shall not be lower than 15% when this batch goes into effect.

3. Overall asset turnover rate of the merchants property shall not be lower than the object value mentioned in the following table at the financial year one year before the year when it goes into effect;

The first batch which goes into effect	The second batch which goes into effect	The third batch which goes into effect
Overall asset turnover rate of the latest whole financial year shall not be lower than 20% when this batch goes into effect.	Overall asset turnover rate of the latest whole financial year shall not be lower than 20% when this batch goes into effect.	Overall asset turnover rate of the latest whole financial year shall not be lower than 20% when this batch goes into effect.

4. The net profit which is belonged to the shareholders from the listed company in each year and the net profit which is deducted the non-recurring profit and loss and belonged to the shareholders from the listed company shall not be lower than the average level of the latest three accounting years before the granting day and not be negative, when it is the waiting period for the stock options.

5. For the activation time point of each batch, the three-year strategic assessment score of the completed latest period shall not be lower than 90.

(2) The following circumstances have not happened to the company:

1. Financial reports were given negative opinions or audit reports which cannot express opinions by chartered public accountants in

the latest accounting year;

2. Given administrative punishment through seriously illicit behavior by the China Securities Regulatory Commission in the latest one year;

3. Other circumstances which cannot be executed the stock options plan identified by the China Securities Regulatory Commission;

(3) One of the following circumstances has not happened to the incentive object individual:

1. Denounced publicly or announced as the inappropriate candidate by the stock exchange in the past three years;

2. Given administrative punishment through seriously illicit behavior by securities regulatory authorities in the past three years;

3. Have the condition which is not allowed to be the director and senior executive regulated by *Company Law of the People's Republic of China*;

(4) The stock options of incentive targets can go into effect, if the performance appraisal result of the incentive object one year before the stock options going into effect is qualified or above and in accordance with the corporate performance condition and arrangement for going into effect. The actual ratio of going into effect is determined according to the appraisal result of personal performance, as shown in the following table:

Personal annual performance grade	Ratio of personal stock options which can actually go into effect accounts for personal stock options of this batch which shall go into effect
Good or above	100%
Qualified	80%
Below qualified	0

(5) If personal annual performance grade of the incentive object in

certain exercising period is qualified or above, the performance of the current period has reached the exercising condition and met other exercising conditions, the exercising of stock options which can actually go into effect can be applied; if personal annual performance grade of the incentive object in certain exercising period is below qualified (being in urgent need of improvement or optimization and adjustment), and performance for the current period has not reached the exercising condition, remove exercising qualification of stock options for the current period.

- (6) As for corporate directors, senior executives, stock options (including those which has not gone into effect and those which has gone into effect but has not exercised) which are granted to them will be totally invalid, if there are unauthentic operation performance, loss of state assets, negligence of operation management and seriously illicit behavior; equity incentive profit which has gained by exercising shall be submitted to the Merchants Property.

Chapter IX Non-negotiable Provisions of Stock Options and Sale Prohibit Regulation of Underlying Stock

Article 19 Non-negotiable provisions of stock options

- (1) Stock options belong to the incentive object (when the incentive object dies, the legal heir will inherit), cannot be sold, transferred, guaranteed, charged and compensated for the debt.
- (2) Stock options of this part will automatically invalid and the company has the right to cancel all stock options which has not exercised.

Article 20 Sale Prohibit regulation of stock

- (1) Corporate stocks which are transferred by directors and senior executives of the company each year cannot be more than 25% of the total corporate stock hold by them.

- (2) Directors and senior executives of the company shall not transfer the corporate stocks held by them within six months after they have resigned.
- (3) Other Sale Prohibit provisions regulated in the *Articles of Association*.

Chapter X Adjustment Methods and Procedures of Stock Options

Article 21 Adjustment methods of number of stock options

From the date of the stock options granted, if there are capital reserve transfer to increase the stock, issuance of dividends, stock split or shrink, right offerings, or offering etc before exercise, on the premise that the incentive targets' benefits obtained by stock options remain unchanged, the number of stock options shall be adjusted accordingly. The adjustment methods are as follows:

(1) Capital reserve transfer to increase the stock, issuance of dividends, stock split

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

In which: Q_0 is number of stock options before adjustment; n is capital reserve transfer to increase the stock, issuance of dividends, stock split per share (number of shares added per share after transfer to increase, offering, or split); Q is number of stock options after adjustment.

(2) Stock shrink

$$Q=Q_0 \times n$$

In which: Q_0 is number of stock options before adjustment; n is shrink ratio (one share shrunk into n shares) ; Q is number of stock options after adjustment

(3) Offering, increase

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

In which: Q_0 is number of stock options before adjustment; P_1 is closing price on the registration day of the stock options; P_2 is price of rationed

shares or added issuance; n is ratio of rationed shares or added issuance (namely the ratio number of stocks of rationed shares or added issuance and total stocks of the company before rationed shares or added issuance) Q0 is number of stock options after adjustment.

Article 22 Adjustment measure of exercising price of stock options

Exercising price will be regulated in accordance with the relevant provision of the plan, if there are, in the term of validity of the plan, issuance of interest, capital reserve transfer to increase the stock, issuance of dividends, stock split or shrink, right offerings, etc. Adjustment measures are as follows:

(1) Capital reserve transfer to increase the stock, issuance of dividends, stock split

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

In which: P_0 is the exercising price before adjustment; n is the ratio of capital reserve transfer to increase the stock, issuance of dividends, stock split per stock; P is the exercising price after adjustment.

(2) Stock shrink

$$P=P_0/n$$

In which: P_0 is the exercising price before adjustment; n is the ratio of shrink; P is the exercising price after adjustment.

(3) Dividend

$$P=P_0-V$$

In which: P_0 is the exercising price before adjustment; V is dividend per stock; P is the exercising price after adjustment.

(4) Rationed shares or added issuance

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

In which: P_0 is the exercising price before adjustment; P_1 is closing price on the registration day of the stock options; P_2 is price for Rationed shares or added issuance; n is ratio of rationed shares or added issuance (the ratio number of stocks of rationed shares or added issuance and total

stocks of the company before rationed shares or added issuance); P is the exercising price after adjustment.

Article 23 Stock options number and procedure of exercising price adjustment

- (1) The general meeting of stockholders empowers the board of directors to adjust the stock options number and exercising price when the above situation happens. The company shall employ lawyers give professional opinions about whether the above adjustment meets the relevant laws and regulations, articles of association and regulations of the plan. The board of directors adjusts the exercising price in accordance with above regulations or number of stock options and shall issue the statement timely.
- (2) To adjust the number of stock options, exercising price or other article through other reasons, the board of directors makes the decision, submit it to the China Securities Regulatory Commission putting on record and general meeting of stockholders gives examination and approval.

Chapter XI Mode of Handling under Special Circumstances

Article 24 In case of any of the following circumstances, state-owned holding shareholders shall exercise shareholders' right according to law to ask for cancelling exercisable rights and interests of current year, and meanwhile, to terminate implementation of equity incentive plan, after being reviewed and approved by board of directors, the company shall not grant new rights and interests to incentive object within one year upon resolution made by the board of directors coming into force, and incentive object shall not exercise rights or interests or obtain incentive interests according to equity incentive plan;

- (1) The company fails to have accounting firm audited according to specified regulation and requirement;
- (2) CPA issues an adverse opinion or a disclaimer of opinion on

annual financial report;

- (3) Institution performing the function as investor, board of supervisor or auditing department put forward major objections against the company performance or annual financial report;
- (4) The company has violated regulation and is punished by securities regulators and other relevant authorities.

Article 25 In case of equity incentive object having any of the following circumstances, state-owned holding shareholders shall exercise shareholders' right according to law, to ask for termination of granting new rights and interests, to cancel exercising qualification to exercise rights and interests, and to recover obtained equity incentive interests:

- (1) According to result of economic responsibility audit, equity incentive object does not effectively perform his duties, or neglects his duty or misconducts;
- (2) Equity incentive object violates relevant laws and regulations of the state or articles of association of the company;
- (3) Equity incentive object demands or accepts bribes, engages in graft and theft, discloses commercial and technology secrets of the company, or conducts illegal and undisciplined behaviors which exert seriously adverse influence on benefit, reputation and image of the company, as well as cause losses.

Article 26 Handling the case of resignation

(I) Employment termination owing to retirement

If the company terminates employing incentive object owing to retirement (unless the company believes that the incentive object will be employed by the company's competitor after the company terminates employment, in this case, stock option which has granted but not exercised shall immediately become invalid)

- 1. Stock option which does not come into force shall not be exercised upon the date of retirement;

2. Stock option which comes into effect shall be exercised within 6 months upon the date of retirement, after the period, the stock option which is not exercised becomes invalid.

(2) Termination of employment of transferring personnel

Transferring personnel refers to personnel who is required to unconditionally obey and is transferred out of the company or affiliated company according to transfer order issued by competent department of the company.

For stock option obtained by personnel who still holds post and engages in actual work in other affiliated companies of China Merchants Property Development Co., Ltd. or headquarter of China Merchants Property Development Co., Ltd. after being transferred:

1. Stock option which does not come into force may continue validity and exercising according to originally set validity arrangement and performance condition;
2. Stock option which has come into force may continue validity, and can be exercised at right time in validity term.

For stock option obtained by personnel who does not hold post in other affiliated companies of China Merchants Property Development Co., Ltd. or headquarter of China Merchants Property Development Co., Ltd. after being transferred:

1. Stock option which does not come into force shall not be exercised upon the date of being transferred;
2. Stock option which has come into force shall be exercised within 6 months upon the date of being transferred, after this period, the stock option which is not exercised becomes invalid.

(3) Incentive object is dismissed due to the company's reason

For stock option held by incentive object who is dismissed without any major faults or improper behavior due to the company's reason (including lying off or business transformation, etc):

1. Stock option which does not come into force immediately becomes invalid upon the date of being dismissed;

2. Stock option which has come into force shall be exercised within 6 months upon the date of being dismissed, after this period, the stock option which is not exercised becomes invalid.

(4) Termination of employment owing to death or incapacity

Incentive object dies or becomes incapacity during his employment in the company,

1. In principle, stock option which does not come into force shall not be exercised upon the date of terminating employment;

2. Stock option which has come into force shall be exercised within 6 months upon the date of being terminated employment, after this period, the stock option which is not exercised becomes invalid.

In case of incentive object dead, his legal successor may exercise stock option according to the above regulations.

(5) Incentive object applying for resignation or being dismissed due to personal reasons

If the incentive object applies for resignation, or is dismissed due to personal reasons,

Stock option which has been granted to incentive object but does not come into force/has come into force but is not exercised shall automatically become invalid.

(6) Incentive object is terminated employment due to improper behavior, serious fault or violation of relevant laws and regulations of the state or articles of association of the company;

Occurrence of any of the above circumstances shall cause stock option which has been granted to incentive object but does not come into force/has come into force but is not exercised becoming invalid automatically. The board of directors has the right to decide specific

handling regulations

- (7) On the day of incentive object going bankruptcy, becoming insolvent or reaching handling scheme or compromise agreement with creditor, stock option which has been granted to incentive object but does not come into force/has come into force but is not exercised shall automatically become invalid.

Article 27 When the company changes controlling right, merges or dissolves, all stock options of incentive object, which are authorized but do not come into force shall not accelerate them to become valid. If object shares involved in the plan change due to merger, dissolution or controlling right change, it is necessary to adjust stock option, so as to guarantee prospective earnings for incentive object remaining the same.

Chapter XII Revision and Termination of the Plan

Article 28 As for the incentive targets who has accepted stock options as per the plan, they shall not alter or weaken the rights and obligation they have already had, if the plan is altered or suspended. The board of directors can revise the plan based on the following measure, on the premise that the board of directors obeys the above condition, when they think that it is necessary to revise the plan.

- (1) Allow to adjust the granted stock options to meet the new requirement after applicable laws and policies has changed or other new plan has implemented;
- (2) If other conditions for the implementation of the stock options are ready, to decision whether or to what extent grant the equity incentive to the participant of the plan in accordance with the new plan and the transform relation between the stock options which is granted under this plan and equity incentive which is granted under the new plan.

(3) For the following revision, invalid if it is not approved by more than half of voting right held by the corporate. The contents of revision include:

1. Transfer of the stock options;
2. Restrictions on granted scope of the stock options;
3. Restrictions on the granted number of the stock options;
4. Restrictions on the exercising of the stock options;
5. Rights which incentive targets of the stock options have when the termination of corporate business;
6. Exercising price adjustment of the stock options;
7. Restrictions on exercising period (or any specific period) of the stock options, or planned period of the stock options;
8. Any significantly favorable articles to the incentive targets.

The approval on the revision of the plan from the board of directors must be obtained if it is required by law, provisions, agreement or stock exchange that certain revision must get approval from the general meeting of stockholders or/and stock exchange.

Article 29 Termination of the plan

- (1) The plan will be automatically terminated seven years after the plan was approved by the general meeting of stockholders.
- (2) The board of directors can submit to the general meeting of stockholders for an early termination of the plan within the term of validity of the plan, if the board of directors thinks it is necessary. The company will not grant any stock options as per the plan. Stock options which are granted before the termination of the plan will continue valid and can exercise in accordance with the regulation of the plan, except there are other provisions.

Chapter XIII Supplementary Articles

Article 30 The final interpretation right of this plan is reserved by the board of

directors of the company.

China Merchants Property Development Co., Ltd.

Board of Directors

August 28, 2014