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GUANGZHOU AUTOMOBILE GROUP CO., LTD.

廣州汽車集團股份有限公司

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

(Stock Code: 2238)

**(1) PROPOSED ADOPTION OF A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME
AND
(2) CONNECTED TRANSACTION**

PROPOSED ADOPTION OF A SHARE OPTION AND RESTRICTED SHARE INCENTIVE SCHEME

The Board is pleased to announce that, on 24 September 2020, the Board considered and approved the relevant resolutions in relation to proposed adoption of the A Share Option and Restricted Share Incentive Scheme. The Incentive Scheme shall become effective upon consideration and approval at the EGM and the Class Meetings of the Company. Before the EGM and the Class Meetings are held for approval of the Incentive Scheme, the Company may amend the Incentive Scheme upon the request of the regulatory authorities of the PRC and/or Hong Kong.

LISTING RULES IMPLICATION

(1) The A Share Option Incentive Scheme

The A Share Option Incentive Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules. Pursuant to Rule 14A.92(3)(a) of the Listing Rules, the grant of Share Options to any Participants who are connected persons of the Company under the A Share Option Incentive Scheme is exempted from reporting, announcement and independent Shareholders' approval requirements. The Company will apply for a waiver from strict compliance with the requirement of note 1 to Rule 17.03(9) of the Listing Rules in respect of the Exercise Price of the Share Options which may be granted under the A Share Option Incentive Scheme.

(2) The Restricted Share Incentive Scheme

The Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules. The grant of the Restricted Shares to connected persons of the Company under the Restricted Share Incentive Scheme will constitute a non-exempt connected transaction of the Company, which is subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An independent board committee will be established by the Company to advise the independent Shareholders of the Company in respect of the grant of the Restricted Shares to the Participants who are connected persons of the Company. Gram Capital Limited will also be appointed by the Company as the independent financial adviser to advise the independent board committee and the independent Shareholders of the Company in respect of the grant of the Restricted Shares to the Participants who are connected persons of the Company.

GENERAL MEETINGS AND CIRCULAR

Shareholders' approval will be sought at the EGM and the Class Meetings to approve, among other things, the adoption of the A Share Option and Restricted Share Incentive Scheme. The specific time of the EGM and the Class Meetings will be determined by the Company when appropriate. A circular containing further details of the terms of the A Share Option and Restricted Share Incentive Scheme, the notice of the EGM and the notice of H Shareholders' Class Meeting will be despatched to the Shareholders on or before 19 October 2020 in accordance with the requirements under the Listing Rules and the Articles of Association.

PROPOSED ADOPTION OF THE A SHARE OPTION AND THE RESTRICTED SHARE INCENTIVE SCHEME

I. Purpose of the Incentive Scheme

The Incentive Scheme is formulated to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilise the enthusiasm of the Directors, senior management, other management personnel who has a direct impact on the Company's operating performance and key core technical (business) personnel of the Company, and effectively bond the interests of the Shareholders, the Company and individuals of core teams together, making all parties to attend to the long-term development of the Company. The Incentive Scheme is made on the premise of fully protecting the interests of the Shareholders and on the principle of income equivalent to contribution, and in compliance with relevant requirements under the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Regulating Notice, the Work Notice, the Work Guidance and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association.

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

1. Basis for Determining the Participants

Legal Basis for Determining the Participants

Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Regulating Notice, the Work Notice, the Work Guidance and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association with reference to the actual situations of the Company.

In accordance with the requirements in Article 8 of the Administrative Measures, none of the following events has occurred to the Participants:

- (1) has been determined by the stock exchange as an ineligible person in the last 12 months;
- (2) has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
- (3) has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
- (4) is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
- (5) is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
- (6) is under other circumstances determined by the CSRC.

In accordance with the requirements in Article 35 of the Trial Measures, none of the following events has occurred to the Participants:

- (1) has violated relevant national laws and regulations and provisions of the articles of association of listed companies;
- (2) committed conducts in violation of the laws and regulations during his term of office including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade or technical secrets of listed companies, carrying out related party transactions, which had significant negative effects on the reputation and image of the listed companies and resulted in losses to the listed companies.

Position Basis for Determining the Participants

The Participants under the Incentive Scheme shall be the Directors, senior management, other management personnel who has a direct impact on the Company's operating performance and key core technical (business) personnel of the Company, but excluding Independent Directors, external Directors, Supervisors and the person in charge of the enterprise which is appointed and managed by the organisation in accordance with the regulatory requirements of the SASAC and excluding Shareholders and their spouses, parents and children who individually or collectively hold more than 5% of the Shares of the Company.

2. *Scope of Participants*

There are no more than 3,200 Participants of the grant under the Incentive Scheme, specifically including:

- (1) Directors and senior management;
- (2) other management personnel who has a direct impact on the Company's operating performance;
- (3) key core technical (business) personnel.

The Participants under the Incentive Scheme exclude any Independent Directors, external Directors, Supervisors and the person in charge of the enterprise which is appointed and managed by the organisation in accordance with the regulatory requirements of the SASAC, and exclude Shareholders and their spouses, parents and children who individually or collectively hold more than 5% of the Shares of the Company.

Among the Participants of the grant, Directors and senior management must be elected by the general meeting or appointed by the Board. All the Participants must hold positions in and enter into service contracts with the Company during the appraisal period of the Scheme (excluding those re-employed after retirement).

3. *Verification of Participants*

- (1) After the consideration and approval of the Incentive Scheme by the Board, the list of Participants shall be published internally within the Company for a period of no less than 10 days in accordance with requirements.
- (2) The Supervisory Committee shall verify the list of the Participants and thoroughly consider opinions from the public, and publish the opinions of the Supervisory Committee on the verification and the public opinions in relation to the list of the Participants 5 days before the Incentive Scheme is considered at a general meeting of the Company. Any adjustments to the lists of Participants made by the Board shall also be subject to verification by the Supervisory Committee.

III. Specific Contents of the Incentive Scheme

The Incentive Scheme consists of the A Share Option Incentive Scheme and the Restricted Share Incentive Scheme. The Share Options and the Restricted Shares shall be granted after the relevant procedures have been performed. The Validity Period of the Incentive Scheme shall commence on the date when the Share Options and the Restricted Shares have been registered and end on the date when all the Share Options granted to the Participants have been exercised or cancellation of such Share Options have been completed and when all the Restricted Shares granted to the Participants have been unlocked or the repurchase and cancellation of such Restricted Shares have been completed, which shall not exceed 60 months.

The total equity interests to be granted to the Participants under the Incentive Scheme shall not exceed 220,000,000 Shares in total, representing approximately 2.14% of the total share capital of the Company as at the date of this announcement. Among them, the number of Share Options to be granted shall not exceed 110,000,000 Shares, representing approximately 1.07% of the total share capital of the Company as at the date of this announcement. Each Share Option has the right to purchase one ordinary A Share at the Exercise Price within the Validity Period upon the satisfaction of the Exercise Conditions; The number of Restricted Shares to be granted shall not exceed 110,000,000 shares, representing approximately 1.07% of the total share capital of the Company at the date of this announcement.

The number of Share Options and the number of Restricted Shares granted to the Participants under the Incentive Scheme are allocated at a ratio of 1:1, and the actual number granted is confirmed at the time of registration of the grant based on the actual subscription amount of the Restricted Shares.

The total number of A Shares involved in all effective incentive schemes of the Company shall not exceed 10% of the total share capital of the Company at the time when all of the share incentive schemes are proposed to General Meetings. The number of A Shares of the Company which is granted under all effective incentive schemes to any of the Participants under the Incentive Scheme does not exceed 1% of the total share capital of the Company as at the date of this announcement.

The A Share Option Incentive Scheme

(I) Source of shares of the A Share Option Incentive Scheme

The source of the shares of the A Share Option Incentive Scheme shall be ordinary A Shares to be issued to the Participants by the Company.

(II) Number and Allocation of the Share Options

The number of Share Options to be granted to the Participants by the Company shall not exceed 110,000,000 Shares in total, representing approximately 1.07% of the total share capital of the Company as at the date of this announcement and the date of adoption of the Incentive Scheme (assuming that there was no change in the total number of Shares in issue between the period from the date of this announcement up to the date of adoption of the Incentive Scheme, and the actual number granted is allocated at a ratio of 1:1 based on the actual subscription amount of the Restricted Shares under the Incentive Scheme and is confirmed at the time of registration of the grant.

Each Share Option has the right to purchase one ordinary A Share at the Exercise Price within the Validity Period upon the satisfaction of the Exercise Conditions.

The allocation of Share Options to be granted to the Participants under the A Share Option Incentive Scheme is set out below:

No.	Name	Position	Amount of options (0'000 Shares)	Proportion in the total no. of Share Options to be granted	Proportion in the total share capital
1	Feng Xingya	Director and general manager	29	0.2636%	0.0028%
2	Wu Song	Deputy general manager	26	0.2364%	0.0025%
3	Li Shao	Deputy general manager	26	0.2364%	0.0025%
4	Yan Zhuangli	Deputy general manager	26	0.2364%	0.0025%
5	Chen Maoshan	Director and chairman of labour union	24.5	0.2227%	0.0024%
6	Wang Dan	Deputy general manager	26	0.2364%	0.0025%
7	Gao Rui	Deputy general manager	26	0.2364%	0.0025%
8	Chen Hanjun	Deputy general manager	26	0.2364%	0.0025%
9	Sui Li	Secretary to the Board	24.5	0.2227%	0.0024%
Other personnel (not exceeding 3,191 persons)			10,766.00	97.87%	1.05%
Total (not exceeding 3,200 persons)			11,000.00	100%	1.07%

Notes:

1. The number of A Shares of the Company granted under the Incentive Scheme to any one of the above-mentioned Participants does not exceed 1% of the total share capital of the Company. The total number of A Shares involved in all the effective incentive schemes of the Company does not exceed 10% of the total share capital of the Company.
2. Any difference between the figures shown as total and the sum of the corresponding figures above is resulted from the rounding off of the above figures.

(III) Validity Period, Grant Date, Vesting Period, Exercisable Date and Lock-up period of the Share Option Incentive Scheme;

1. Validity Period of the A Share Option Incentive Scheme

The Validity Period of the A Share Option Incentive Scheme shall commence on the date on which the Share Options have been granted and registered, and end on the date on which all the Share Options granted to the Participants have been exercised or cancelled, which shall not exceed 60 months.

2. Grant Date of the A Share Option Incentive Scheme

The Grant Date shall be determined by the Board after the Incentive Scheme is approved by the Municipal SASAC and considered and approved at the General Meetings of the Company. The Grant Date must be a trading day. The Company shall grant the Share Options and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and approved at the General Meetings and the satisfaction of the conditions of the grant. If the Company fails to complete the above work within 60 days, the implementation of the Incentive Scheme will be terminated and the Share Options which have not been granted will become invalid.

3. Vesting Period of the A Share Option Incentive Scheme

The Vesting Period shall be the time between the date on which the Share Options have been granted and registered and the Exercisable Date of the Share Options. The Vesting Period of the Share Options granted under the Incentive Scheme shall be 24 months, 36 months, 48 months from the date on which the Share Options have been granted and registered.

4. Exercisable Date of the A Share Option Incentive Scheme

The Exercisable Date must be a trading day and must not fall within any of the following periods:

- (1) within 30 days prior to the publication of periodic reports of the Company (within 60 days prior to the publication of annual report), in the event of delay in the publication of periodic reports due to special reasons, the calculation shall start from 30 days prior to the originally estimated date of publication (within 60 days prior to the publication of annual report) and ends on one day prior to the date of publication;
- (2) the period commencing from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;

- (3) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's Shares and their derivatives or the date on which relevant decision-making procedures start and ending on the second trading day following the publication in accordance with the laws;
- (4) other periods as stipulated by the CSRC and the SSE.

The arrangements of Exercise Period and each period of exercise time for the Share Options granted under the Incentive Scheme are as follows:

Exercise arrangement	Exercise time	Proportion of exercisable Share Options
First Exercise Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of the Share Options and ending on the last trading day of the 36-month period from the date of completion of registration of the Share Options	40%
Second Exercise Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of the Share Options and ending on the last trading day of the 48-month period from the date of completion of registration of the Share Options	30%
Third Exercise Period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of the Share Options and ending on the last trading day of the 60-month period from the date of completion of registration of the Share Options	30%

The Participants shall complete the exercise of the Share Options within the Validity Period. If the Exercise Conditions are not satisfied, the Share Options for the corresponding period shall not be exercised. If the Exercise Conditions are satisfied but not all of the relevant Share Options for that period have been exercised, such portion of the Share Options shall lapse automatically and shall be cancelled by the Company.

5. Locking requirements of the A Share Option Incentive Scheme

The locking arrangement under the A Share Option Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents as well as the Articles of Association, including but not limited to:

- (1) Where the Participant is a Director or a member of the senior management of the Company, the number of Shares of the Company which may be transferred by the Participant each year during his term of office shall not exceed 25% of the total number of the Shares of the Company held by him.
- (2) Where the Participant is a Director or senior management of the Company and resigns prior to the expiry of his term of office, the number of Shares that may be transferred by the Participant each year must not exceed 25% of the total number of Shares of the Company held by him during his term of office and within 6 months after the expiry of his term of office.
- (3) Where the Participant is a Director or senior management of the Company, he shall not transfer the Shares of the Company held by him within 6 months after his resignation.
- (4) Where the Participant is a Director or senior management of the Company, all gains made from the disposal of Shares of the Company within 6 months after acquisition or from the buys back of Shares within 6 months after disposal by the Participant shall be accounted to the Company and the Board will collect all such gains.
- (5) If, during the Validity Period of the Incentive Scheme, there is any amendment to the relevant requirements regarding the transfer of Shares held by a Director and senior management of the Company under the relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Articles of Association, the amended requirements shall apply to the transfer of Shares of the Company held by such Participants.
- (6) The Vesting Period for 20% of the total number of the Share Options granted to a Participant who is a Director or senior management of the Company shall be extended till the expiry of his term of office, and subject to appraisal on his performance as a Director and senior management during his term of office or the audited results of economic responsibility to confirm whether the Share Options can be exercised.

(IV) Exercise Price of the Share Options and the basis of determination for the Exercise Price

1. Exercise Price

The Exercise Price of the Share Options shall be RMB9.98 per share. Upon fulfilment of the Exercise Conditions, each Participant is entitled to acquire the A Share Options newly issued to the Participants by the Company at the price of RMB9.98 per share.

2. Basis of determination for the Exercise Price

The Exercise Price of the Share Options shall not be lower than the nominal amount of the Shares, and shall not be lower than the higher of the following:

- (1) the average trading price of the A Shares on the trading day preceding the date of this announcement;
- (2) the average trading price of the A Shares for 20 trading days, 60 trading days or 120 trading days preceding the date of this announcement.

(V) Conditions of grant and conditions of exercise of the Share Options

1. Conditions of grant of the Share Options

Share Options may be granted to the Participants by the Company upon satisfaction of the following conditions. In other words, Share Options cannot be granted to Participants if any of the following conditions of grant is not satisfied.

(1) None of the following events has occurred to the Company:

- ① issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
- ② issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
- ③ failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
- ④ prohibition from implementation of a share incentive scheme by laws and regulations;
- ⑤ other circumstances as determined by the CSRC.

(2) The Company has satisfied the following conditions:

- ① the corporate governance structure of the Company is duly regulated, the organisation of general meeting, the Board and the management is sound with clear responsibilities, external Directors (including Independent Directors) account for more than half of the number of the members of the Board;
- ② the remuneration committee is composed of external Directors and the system of the remuneration committee is sound, with comprehensive rules of procedure and under regulated operation;
- ③ the internal control system and performance appraisal system are sound, the basic management system is duly regulated, and the labour employment, remuneration and benefits system and performance appraisal system have complied with the requirements of the market economy and modern enterprise system;
- ④ the development strategies are clear, asset quality and financial conditions are sound, operating results are stable; without any financial unlawful and non-compliance acts and records of improprieties during the latest 3 years;
- ⑤ established restraint mechanisms such as economic responsibility review and audit, information disclosure, deferred payment, recourse and deduction etc.;
- ⑥ other conditions as required by the securities regulatory authorities.

(3) In accordance with the requirements in Article 8 of the Administrative Measures, none of the following events has occurred to the Participants:

- ① has been determined by the stock exchange as an ineligible person in the last 12 months;
- ② has been determined by CSRC and its delegated agencies as an ineligible person in the last 12 months;
- ③ has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
- ④ is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
- ⑤ is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
- ⑥ under other circumstances as determined by the CSRC.

(4) In accordance with the requirements in Article 35 of the Trial Measures, none of the following events has occurred to the Participants:

- ① has violated relevant national laws and regulations and provisions of the articles of association of listed companies;
- ② committed conducts in violation of the laws and regulations during his term of office including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade or technical secrets of listed companies, carrying out related party transactions, which had significant negative effects on the reputation and image of the listed companies and resulted in losses to the listed companies.

2. Exercise Conditions of the Share Options

During the Exercise Period, upon concurrent satisfaction of the following conditions, the Share Options granted to the Participants can be exercised:

(1) None of the following events has occurred to the Company:

- ① issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
- ② issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
- ③ failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
- ④ prohibition from implementation of a share incentive scheme by laws and regulations;
- ⑤ other circumstances as determined by the CSRC.

(2) The Company has satisfied the following conditions:

- ① the corporate governance structure of the Company is duly regulated, the organisation of general meeting, the Board and the management is sound with clear responsibilities, external Directors (including Independent Directors) account for more than half of the number of the members of the Board;

- ② the remuneration committee is composed of external Directors and the system of the remuneration committee is sound, with comprehensive rules of procedure and under regulated operation;
 - ③ the internal control system and performance appraisal system are sound, the basic management system is duly regulated, and the labour employment, remuneration and benefits system and performance appraisal system have complied with the requirements of the market economy and modern enterprise system;
 - ④ the development strategies are clear, asset quality and financial conditions are sound, operating results are stable; without any financial unlawful and non-compliance acts and records of improprieties during the latest 3 years;
 - ⑤ established restraint mechanisms such as economic responsibility review and audit, information disclosure, deferred payment, recourse and deduction, etc.;
 - ⑥ other conditions as required by the securities regulatory authorities.
- (3) In accordance with the requirements in Article 8 of the Administrative Measures, none of the following events has occurred to the Participants:
- ① has been determined by the stock exchange as an ineligible person in the last 12 months;
 - ② has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
 - ③ has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
 - ④ is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
 - ⑤ is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
 - ⑥ under other circumstances as determined by the CSRC.

(4) In accordance with the requirements in Article 35 of the Trial Measures, none of the following events has occurred to the Participants:

- ① has violated relevant national laws and regulations and provisions of the articles of association of listed companies;
- ② committed conducts in violation of the laws and regulations during his term of office including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade or technical secrets of listed companies, carrying out related party transactions, which had significant negative effects on the reputation and image of the listed companies and resulted in losses to the listed companies.

(5) Appraisal requirements of the Company's performance

The exercising appraisal period of the Incentive Scheme covers three accounting years from 2021 to 2023, and an appraisal will be carried out once every accounting year.

- ① The performance appraisal of the Share Options granted under the Incentive Scheme is shown in the following table:

Exercise Period	Performance appraisal targets
First Exercise Period	<p>(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2021 shall be $\geq 3\%$;</p> <p>(2) The return on net assets for 2021 shall be $\geq 4.6\%$;</p> <p>The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average.</p> <p>(3) Revenue from principal businesses for 2021 shall account for $\geq 96\%$ of operating revenue;</p> <p>(4) The Company's cash dividend ratio for 2021 shall be $\geq 30\%$;</p> <p>(5) The Company's R&D investment for 2021 shall account for $\geq 4\%$ of operating revenue.</p>

Second Exercise Period	<p>(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2022 shall be $\geq 20\%$;</p> <p>(2) The return on net assets for 2022 shall be $\geq 5.2\%$;</p> <p>The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average.</p> <p>(3) Revenue from principal businesses for 2022 shall account for $\geq 96\%$ of operating revenue;</p> <p>(4) The Company's cash dividend ratio for 2022 shall be $\geq 30\%$;</p> <p>(5) The Company's R&D investment for 2022 shall account for $\geq 4\%$ of operating revenue.</p>
Third Exercise Period	<p>(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2023 shall be $\geq 34\%$;</p> <p>(2) The return on net assets for 2023 shall be $\geq 5.5\%$;</p> <p>The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average.</p> <p>(3) Revenue from principal businesses for 2023 shall account for $\geq 96\%$ of operating revenue;</p> <p>(4) The Company's cash dividend ratio for 2023 shall be $\geq 30\%$;</p> <p>(5) The Company's R&D investment for 2023 shall account for $\geq 4\%$ of operating revenue.</p>

Notes:

- a. The above-mentioned "net profits" represents: the net profits (net of non-recurring profits and losses) attributable to the Shareholders of the Company; "return on net assets" represents: the weighted average return on net assets attributable to the Shareholders of the Company (net of non-recurring profits and losses).

- b. During the Validity Period of the Incentive Scheme, in case of additional issuance or rights issue and others that would result in a change in net assets of the Company, the change in net assets and the income arising therefrom (if the corresponding income cannot be accurately calculated, it can be calculated by multiplying the actual financing amount after deducting the financing cost by the interest rate of the national debts of the same term) shall be excluded when conducting the appraisal.
- c. The incentive costs incurred in the Incentive Scheme will be charged to the Company's administrative expenses.
- d. The Company belongs to the "automobile manufacturing industry" under the industry classification of the CSRC. The reference to the "industry average" mentioned above means all domestic A-Share listed companies under the "automobile manufacturing industry" classification of the CSRC.

② Selection of benchmarking companies in the same industry

In accordance with the principle of "comparable market, similar business, stable operation", the Company selected 17 A-Share listed companies from the automobile manufacturing industry under the industry classification of the CSRC as benchmarking companies in the same industry.

No.	Stock Code	Stock abbreviation
1	600104.SH	SAIC Motor
2	601633.SH	Great Wall Motor
3	600066.SH	Yutong Bus
4	600213.SH	AsiaStar Bus
5	600006.SH	Dongfeng Motor
6	002594.SZ	BYD
7	000957.SZ	Zhongtong Bus
8	000550.SZ	Jiangling Motors
9	600686.SH	King Long Motor
10	600418.SH	JAC
11	600166.SH	Foton Motors
12	600303.SH	SG Automotive Group
13	601127.SH	Sokon
14	600733.SH	BAIC Holding
15	000951.SZ	Sinotruk
16	000625.SZ	Changan Automobile
17	000800.SZ	FAW Jiefang

If there are significant changes in the principal businesses of the benchmarking companies, or extreme or abnormal values with significant deviation in the samples during the Validity Period of the Incentive Scheme, the Board can remove or replace the samples according to the actual conditions.

(6) Appraisal requirements of personal performance

In accordance with the “Guangzhou Automobile Group Co., Ltd. Appraisal Management Measures for Implementation of the 2020 A Share Option and Restricted Share Incentive Scheme”, a Participant can exercise the corresponding Share Options on the premise that the performance appraisal conditions have been met in the previous year, and the specific exercise ratio is determined based on the results of the individual performance appraisal of the Participant, and the special circumstances in the performance appraisal are determined by the Board. Details are as follows:

Appraisal results (S)	Excellent	Good	Qualified	Basically qualified	Not qualified
Exercise ratio	100%	100%	100%	70%	0%

Individual's actual exercise amount for the current year = individual's exercise ratio × individual's planned exercise amount for the current year.

- (7) If the Exercise Conditions in the current Exercise Period have not been fulfilled due to the failure in meeting the performance appraisal targets of the Company or the personal performance appraisal, the corresponding Shares Options shall be cancelled by the Company and shall not be deferred to the next Exercise Period.

3. Explanations on the scientificity and reasonableness of the appraisal indicators

The appraisal indicators of the Incentive Scheme of the Company are categorised into two levels, performance appraisal at the Company's level and performance appraisal at the individual's level respectively.

- (1) Net profit growth rate, return on net assets, percentage of revenue from principal businesses, cash dividend percentage and R&D investment are selected as performance appraisal indicators. These indicators are the Company's core financial and business indicators and reflect the requirements on the Company's growth capabilities, profitability, income quality, Shareholder returns, etc.
- (2) When setting the target value of the above performance indicators, the industry conditions and the actual situation of the Company have been fully considered, and a relatively systematic and reasonable forecast and research analysis have been carried out.
- (3) In addition to the Company's performance appraisal, the Company has also set up a rigorous performance appraisal system for individuals, which can give a more accurate and comprehensive evaluation of the work performance of the Participants. The Company will determine the individual actual exercise ratio of a Participant based on the results of the performance appraisal.

In summary, the appraisal system of the Incentive Scheme is complete, comprehensive and operable. The target value of the appraisal indicators is set reasonably, and at the same time, challenging and had achieved the effect of incentives and restraints. It is expected to achieve the implementation objectives of the Incentive Scheme.

(VI) Method for Adjustment and Procedures of the number of Share Options and Exercise Price

1. Method of adjusting the number of Share Options

In the event of capitalisation issue, bonus issue, share subdivision, rights issue or share consolidation prior to any exercise, the number of Share Options shall be adjusted accordingly. The adjustment method is as follows:

(1) Capitalisation issue, bonus issue and share subdivision

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

Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of increase per share resulting from the capitalisation issue, bonus issue and share subdivision (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue or share subdivision); Q represents the adjusted number of Share Options.

(2) Rights issue

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

Where: Q_0 represents the number of Share Options before the adjustment; P_1 represents the A Shares closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Share Options.

(3) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of share consolidation (i.e. one share of the Company shall be consolidated into n shares); Q represents the adjusted number of Share Options.

(4) New issue of Shares and dividend distribution

Under the circumstances of additional issue of new Shares and dividend distribution by the Company, no adjustment will be made to the number of Share Options.

2. Method of adjusting the Exercise Price

In the event of any dividend distribution, capitalisation issue, bonus issue, share subdivision, rights issue or share consolidation prior to any exercise, the Exercise Price shall be adjusted accordingly. The adjustment method is as follows:

(1) Capitalisation issue, bonus issue and share subdivision

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

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue and share subdivision; P represents the adjusted Exercise Price.

(2) Rights issue

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

Where: P_0 represents the Exercise Price before the adjustment; P_1 represents the A Shares closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted Exercise Price.

(3) Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of share consolidation; P represents the adjusted Exercise Price.

(4) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Exercise Price before the adjustment; V represents the dividend rate per share; P represents the adjusted Exercise Price. After the adjustment, P shall be a positive number.

(5) New Issue of Shares

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the Exercise Price of the Share Options.

3. Adjustment procedures for the A Share Option Incentive Scheme

The General Meetings will authorise the Board to consider and make adjustments to the Exercise Price of the Share Options and number of the Share Options and other relevant matters upon occurrence of any of the aforesaid events. The Company shall engage legal adviser to advise on whether such adjustment is in compliance with the requirements under the Administrative Measures, the Articles of Association and the Incentive Scheme.

(VII) Accounting Treatment of the A Share Option Incentive Scheme

1. Grant Date: Since Share Options cannot be exercised on the Grant Date, no related accounting treatment is required. The Company will use the “Black-Scholes” model (B-S Model) as the pricing model to determine the fair value of the Share Options on the Grant Date.
2. Vesting Period: The Company includes the services received during current period in relevant asset costs or current expense on each balance sheet date during the Vesting Period based on the best estimate of the number of exercisable Share Options and the fair value of the Share Options on the Grant Date and recognise in other capital reserve in the capital reserve.
3. Subsequent to Exercisable Date: No adjustment shall be made to the relevant costs and expense, and the total amount of the owner’s equities, which have already been recognised.
4. Based on the exercise situation of the Share Options, share capital and share premium shall be recognised and the “Capital reserve – Other capital reserve” recognised during the Vesting Period shall be transferred to “Capital reserve – Capital premium”.

(VIII) Amortisation of the fair value and shared-based payment expenses of the Share Options

According to the relevant requirements under “Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement”, the Company selects Black-Scholes Model (B-S Model) as the pricing model. Based on the calculation by the Company, fair value of each Share Option amounted to RMB2.15. Detailed reference factors are as follows:

1. Price of subject Share (the A Shares closing price on the assumed Grant Date): RMB9.8/share)

2. Exercise Price: RMB9.98/share
3. Expected life: 3.4 years
4. Historical volatility rate: 25.5321% (based on the volatility rate of the automobile industry in the latest 3.4 years)
5. Risk-free interest rate: 2.8423% (based on the 3.4-year yield to maturity of the national bond rate)
6. Expected rate of dividend: 0% (the Incentive Scheme stipulates that where the Company incurs a dividend and bonus distribution in cash, the Exercise Price of the Share Options will be adjusted, and the value will be 0% based on the requirements).

The Company will determine the fair value of the Share Options on the Grant Date according to the related valuation instruments and ultimately recognise the share based payment expenses for the Incentive Scheme. Such payment expenses will be recognised by instalments as per the exercise proportion during the implementation of the Incentive Scheme. The costs of Share Options incurred under the Incentive Scheme will be recorded as expenses in recurring profits and losses.

Impact on the accounting cost of each of the period due to the grant of the Share Options under the Incentive Scheme is set out below:

Number of Share Options (0'000 Shares)	Total cost (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)
11,000	23,650.00	1,478.13	8,868.75	8,080.42	3,744.58	1,478.13

Note: Apart from the Grant Date, Exercise Price and number of exercised Share Options, the accounting costs are also related to the actual number of equity interests that are valid and invalid. The final result of the above impact on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

The Restricted Shares Incentive Scheme

(I) Source of Shares of the Restricted Share Incentive Scheme

The source of the Shares of the Restricted Share Incentive Scheme shall be ordinary A Shares to be directly issued to the Participants by the Company.

(II) Number and Allocation of the Restricted Shares

The number of Restricted Shares to be granted under the Incentive Scheme shall not exceed 110,000,000, representing approximately 1.07% of the total share capital of the Company as at the date of this announcement, and the actual number of share options granted is recognized at the time of registration based on the actual subscription amount of the Restricted Shares.

The allocation of Restricted Shares to be granted to each of the Participants under the Incentive Scheme is set out below:

No.	Name	Position	Number of Restricted Shares (0'000 shares)	Proportion in the total number of Restricted Shares	Proportion in the total share capital
1	Feng Xingya	Director and general manager	29	0.2636%	0.0028%
2	Wu Song	Deputy general manager	26	0.2364%	0.0025%
3	Li Shao	Deputy general manager	26	0.2364%	0.0025%
4	Yan Zhuangli	Deputy general manager	26	0.2364%	0.0025%
5	Chen Maoshan	Director and chairman of labour union	24.5	0.2227%	0.0024%
6	Wang Dan	Deputy general manager	26	0.2364%	0.0025%
7	Gao Rui	Deputy general manager	26	0.2364%	0.0025%
8	Chen Hanjun	Deputy general manager	26	0.2364%	0.0025%
9	Sui Li	Secretary to the Board	24.5	0.2227%	0.0024%
Other personnel (not exceeding 3,191 persons)			10,766.00	97.87%	1.05%
Total (not exceeding 3,200 persons)			11,000.00	100%	1.07%

Notes:

1. The number of A Shares of the Company granted under the Incentive Scheme to any one of the above-mentioned Participants does not exceed 1% of the total share capital of the Company. The total number of A Shares involved in all the effective incentive schemes of the Company does not exceed 10% of the total share capital of the Company.
2. Any difference between the figures shown as total and the sum of the corresponding figures above is resulted from the rounding off of the above figures.

(III) Validity Period, Grant Date, Locking Periods, Unlocking Arrangement and Lock-up Period of the Restricted Share Incentive Scheme

1. Validity Period of the Restricted Share Incentive Scheme

The Validity Period of the Restricted Share Incentive Scheme shall commence on the date when the registration of the Restricted Shares have been registered and end on the date when all the Restricted Shares granted to the Participants have been unlocked or the repurchase and cancellation of such Restricted Shares have been completed, which shall not exceed 60 months.

2. Grant Date of the Restricted Share Incentive Scheme

The Grant Date shall be determined by the Board after the Scheme is approved by the Municipal SASAC and considered and approved at the General Meetings of the Company. The Grant Date must be a trading day. The Company shall grant the Restricted Shares and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and approved at the General Meetings and satisfaction of the conditions of the grant. If the Company fails to complete the above work within 60 days, the implementation of the Incentive Scheme will be terminated and the Restricted Shares which have not been granted will become invalid.

According to relevant rules for A Shares and H Shares, the Company shall not grant any Restricted Shares in the following periods:

- (1) within 30 days prior to the publication of periodic reports of the Company (within 60 days prior to the publication of annual report), in the event of delay in the publication of periodic reports due to special reasons, the calculation shall start from 30 days prior to the original estimated date of publication (within 60 days prior to the publication of annual report) and ends on one day prior to the date of publication;
- (2) the period commencing from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- (3) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's Shares and their derivatives or the date on which relevant decision-making procedures start and ending on the second trading day following the publication in accordance with the laws;
- (4) other periods as stipulated by the CSRC and the SSE.

The above-mentioned period during which the Company is not allowed to grant Restricted Shares is not included in the period for completion of the grant within 60 days from the approval at the General Meetings.

3. Locking Periods and unlocking arrangement of the Restricted Share Incentive Scheme

There shall be 3 Locking Periods for the Restricted Shares granted under the Incentive Scheme, which are 24 months, 36 months and 48 months, respectively, from the date of registration of the corresponding shares under the grant. Upon expiry of the Locking Periods, the Company shall proceed with the unlocking for the Participants who satisfy the Unlocking Conditions, and the Restricted Shares held by the Participants who do not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

The Unlocking Periods and unlocking schedule for the Restricted Shares granted under the Incentive Scheme is shown in the table below:

Unlocking arrangement	Unlocking time	Unlocking proportion
First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of the Restricted Shares and ending on the last trading day of the 36-month period from the date of completion of registration of the Restricted Shares	40%
Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of the Restricted Shares and ending on the last trading day of the 48-month period from the date of completion of registration of the Restricted Shares	30%
Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of the Restricted Shares and ending on the last trading day of the 60-month period from the date of completion of registration of the Restricted Shares	30%

For Restricted Shares that have not applied for unlocking or cannot be applied for unlocking due to failure to meet the Unlocking Conditions during the aforesaid Unlocking Periods, the Company will repurchase and cancel such Restricted Shares in accordance with the principles of the Incentive Scheme.

The Shares obtained by the Participants due to the grant of the Restricted Shares arising from capitalisation issue, bonus issue and share subdivision shall be subject to locking in accordance with the Incentive Scheme, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Periods of such Shares are the same as that of the Restricted Shares. If the Company repurchases the Restricted Shares that are yet to unlock, such Shares shall be repurchased altogether.

4. Locking requirements of the Restricted Share Incentive Scheme

The locking arrangement under the Restricted Share Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents as well as the Articles of Association, including but not limited to:

- (1) Where the Participant is a Director or a member of the senior management of the Company, the number of Shares of the Company which may be transferred by the Participant each year during his term of office shall not exceed 25% of the total number of the Shares of the Company held by him.
- (2) Where the Participant is a Director or senior management of the Company and resigns prior to the expiry of his term of office, the number of Shares that may be transferred by the Participant each year must not exceed 25% of the total number of Shares of the Company held by him during his term of office and within 6 months after the expiry of his term of office.
- (3) Where the Participant is a Director or senior management of the Company, he shall not transfer the Shares of the Company held by him within 6 months after his resignation.
- (4) Where the Participant is a Director or senior management of the Company, all gains made from the disposal of Shares of the Company within 6 months after acquisition or from the buys back of Shares within 6 months after disposal by the Participant shall be accounted to the Company and the Board will collect all such gains.
- (5) If, during the Validity Period of the Incentive Scheme, there is any amendment to the relevant requirements regarding the transfer of Shares held by a Director and senior management of the Company under the relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Articles of Association, the amended requirements shall apply to the transfer of Shares of the Company held by such Participants.

- (6) In respect of the final unlocking arrangement of the Restricted Shares under the Incentive Scheme, the Locking Period for 20% of the total number of the Restricted Shares granted to a Participant who is a Director or senior management of the Company shall be extended till the expiry of his term of office, and subject to appraisal on his performance as a Director and senior management during his term of office or the audited results of economic responsibility to confirm whether the unlocking can be implemented.

(IV) The Grant Price of the Restricted Shares and the basis of determination for the Grant Price

1. Grant Price

The Grant Price of the Restricted Shares shall be RMB4.99 per share. Upon fulfilment of the grant conditions, each Participant is entitled to acquire the Restricted A Shares newly issued to the Participants by the Company at the price of RMB4.99 per share.

2. Basis of determination for the Grant Price

The Grant Price of the Restricted Shares shall not be lower than the nominal amount of the Shares, and shall be the higher of the following:

- (1) 50% of the average trading price of the A Shares on the trading day preceding the date of this announcement;
- (2) 50% of the average trading price of the A Shares for 20 trading days, 60 trading days or 120 trading days preceding the date of this announcement.

(V) Conditions of grant and Unlocking of the Restricted Shares

1. Conditions of grant of the Restricted Shares

Restricted Shares may be granted to the Participants by the Company upon satisfaction of all of the following conditions. In other words, Restricted Shares cannot be granted to the Participants if any of the following conditions of grant is not satisfied.

- (1) None of the following events has occurred to the Company:

- ① issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
- ② issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;

- ③ failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
- ④ prohibition from implementation of a share incentive scheme by laws and regulations;
- ⑤ other circumstances as determined by the CSRC.

(2) The Company has satisfied the following conditions:

- ① the corporate governance structure of the Company is duly regulated, the organisation of general meeting, the Board and the management is sound with clear responsibilities, external Directors (including Independent Directors) account for more than half of the number of the members of the Board;
- ② the remuneration committee is composed of external Directors and the system of the remuneration committee is sound, with comprehensive rules of procedure and under regulated operation;
- ③ the internal control system and performance appraisal system are sound, the basic management system is duly regulated, and the labour employment, remuneration and benefits system and performance appraisal system have complied with the requirements of the market economy and modern enterprise system;
- ④ the development strategies are clear, asset quality and financial conditions are sound, operating results are stable; without any financial unlawful and non-compliance acts and records of improprieties during the latest 3 years;
- ⑤ established restraint mechanisms such as economic responsibility review and audit, information disclosure, deferred payment, recourse and deduction, etc.;
- ⑥ other conditions as required by the securities regulatory authorities.

(3) In accordance with the requirements in Article 8 of the Administrative Measures, none of the following events has occurred to the Participants:

- ① has been determined by the stock exchange as an ineligible person in the last 12 months;
- ② has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
- ③ has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;

- ④ is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
 - ⑤ is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
 - ⑥ under other circumstances as determined by the CSRC.
- (4) In accordance with the requirements in Article 35 of the Trial Measures, none of the following events has occurred to the Participants:
- ① has violated relevant national laws and regulations and provisions of the articles of association of listed companies;
 - ② committed conducts in violation of the laws and regulations during his term of office including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade or technical secrets of listed companies, carrying out related party transactions, which had significant negative effects on the reputation and image of the listed companies and resulted in losses to the listed companies.

2. Unlocking Conditions of the Restricted Shares

During the Unlocking Periods, upon concurrent satisfaction of the following conditions, the Restricted Shares granted to the Participants can be unlocked:

- (1) None of the following events has occurred to the Company:
- ① issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - ② issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - ③ failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
 - ④ prohibition from implementation of a share incentive scheme by laws and regulations;
 - ⑤ other circumstances as determined by the CSRC.

(2) The Company has satisfied the following conditions:

- ① the corporate governance structure of the Company is duly regulated, the organisation of general meeting, the Board and the management is sound with clear responsibilities, external Directors (including Independent Directors) account for more than half of the number of the members of the Board;
- ② the remuneration committee is composed of external Directors and the system of the remuneration committee is sound, with comprehensive rules of procedure and under regulated operation;
- ③ the internal control system and performance appraisal system are sound, the basic management system is duly regulated, and the labour employment, remuneration and benefits system and performance appraisal system have complied with the requirements of the market economy and modern enterprise system;
- ④ the development strategies are clear, asset quality and financial conditions are sound, operating results are stable; without any financial unlawful and non-compliance acts and records of improprieties during the latest 3 years;
- ⑤ established restraint mechanisms such as economic responsibility review and audit, information disclosure, deferred payment, recourse and deduction etc.;
- ⑥ other conditions as required by the securities regulatory authorities.

(3) In accordance with the requirements in Article 8 of the Administrative Measures, none of the following events has occurred to the Participants:

- ① has been determined by the stock exchange as an ineligible person in the last 12 months;
- ② has been determined by CSRC and its delegated agencies as an ineligible person in the last 12 months;
- ③ has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
- ④ is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
- ⑤ is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
- ⑥ under other circumstances as determined by the CSRC.

(4) In accordance with the requirements in Article 35 of the Trial Measures, none of the following events has occurred to the Participants:

- ① has violated relevant national laws and regulations and provisions of the articles of association of the listed companies;
- ② committed conducts in violation of the laws and regulations during his term of office including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade or technical secrets of listed companies, carrying out related party transactions, which had significant negative effects on the reputation and image of the listed companies and resulted in losses to the listed companies.

(5) Appraisal requirements of the Company's performance

The unlocking appraisal period of the Incentive Scheme covers three accounting years from 2021 to 2023, and an appraisal will be carried out once every accounting year.

- ① The performance appraisal of the Restricted Shares granted under the Incentive Scheme for unlocking of the Restricted Shares is shown in the following table:

Unlocking Period	Performance appraisal targets
First Unlocking Period	<p>(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2021 shall be $\geq 3\%$;</p> <p>(2) The return on net assets for 2021 shall be $\geq 4.6\%$;</p> <p>The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average.</p> <p>(3) Revenue from principal businesses for 2021 shall account for $\geq 96\%$ of operating revenue;</p> <p>(4) The Company's cash dividend ratio for 2021 shall be $\geq 30\%$;</p> <p>(5) The Company's R&D investment for 2021 shall account for $\geq 4\%$ of operating revenue.</p>

Second Unlocking Period	<p>(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2022 shall be $\geq 20\%$;</p> <p>(2) The return on net assets for 2022 shall be $\geq 5.2\%$;</p> <p>The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average.</p> <p>(3) Revenue from principal businesses for 2022 shall account for $\geq 96\%$ of operating revenue;</p> <p>(4) The Company's cash dividend ratio for 2022 shall be $\geq 30\%$;</p> <p>(5) The Company's R&D investment for 2022 shall account for $\geq 4\%$ of operating revenue.</p>
Third Unlocking Period	<p>(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2023 shall be $\geq 34\%$;</p> <p>(2) The return on net assets for 2023 shall be $\geq 5.5\%$;</p> <p>The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average.</p> <p>(3) Revenue from principal businesses for 2023 shall account for $\geq 96\%$ of operating revenue;</p> <p>(4) The Company's cash dividend ratio for 2023 shall be $\geq 30\%$;</p> <p>(5) The Company's R&D investment for 2023 shall account for $\geq 4\%$ of operating revenue.</p>

Notes:

- a. The above-mentioned "net profits" represents: the net profits (net of non-recurring profits and losses) attributable to the Shareholders of the Company; "return on net assets" represents: the weighted average return on net assets attributable to the Shareholders of the Company (net of non-recurring profits and losses).

- b. During the Validity Period of the Incentive Scheme, in case of additional issuance or rights issue and others that would result in a change in net assets of the Company, the change in net assets and the income arising therefrom (if the corresponding income cannot be accurately calculated, it can be calculated by multiplying the actual financing amount after deducting the financing cost by the interest rate of the national debts of the same term) shall be excluded when conducting the appraisal.
- c. The incentive costs incurred in the Incentive Scheme will be charged to the Company's administrative expenses.
- d. The Company belongs to the "automobile manufacturing industry" under the industry classification of the CSRC. The reference to the "industry average" mentioned above means all domestic A-Share listed companies under the "automobile manufacturing industry" classification of the CSRC.

② Selection of benchmarking companies in the same industry

In accordance with the principle of "comparable market, similar business, stable operation", the Company selected 17 A-Share listed companies from the automobile manufacturing industry under the industry classification of the CSRC as benchmarking companies in the same industry.

No.	Stock Code	Stock abbreviation
1	600104.SH	SAIC Motor
2	601633.SH	Great Wall Motor
3	600066.SH	Yutong Bus
4	600213.SH	AsiaStar Bus
5	600006.SH	Dongfeng Motor
6	002594.SZ	BYD
7	000957.SZ	Zhongtong Bus
8	000550.SZ	Jiangling Motors
9	600686.SH	King Long Motor
10	600418.SH	JAC
11	600166.SH	Foton Motors
12	600303.SH	SG Automotive Group
13	601127.SH	Sokon
14	600733.SH	BAIC Holding
15	000951.SZ	Sinotruk
16	000625.SZ	Changan Automobile
17	000800.SZ	FAW Jiefang

If there are significant changes in the principal businesses of the benchmarking companies, or extreme or abnormal values with significant deviation in the samples during the Validity Period of the Incentive Scheme, the Board can remove or replace the samples according to the actual conditions.

(6) Appraisal requirements of personal performance

In accordance with the “Guangzhou Automobile Group Co., Ltd. Appraisal Management Measures for Implementation of the 2020 A Share Option and Restricted Share Incentive Scheme”, a Participant can only have his Restricted Shares unlocked in the current Locking Period on the premise that the performance appraisal conditions have been met in the previous year, and the specific unlocking ratio is determined based on the results of the individual performance appraisal of the Participant, and the special circumstances in the performance appraisal are determined by the Board. Details are as follows:

Appraisal results (S)	Excellent	Good	Qualified	Basically qualified	Not qualified
Unlocking ratio	100%	100%	100%	70%	0%

Individual's actual unlocking limit for the current year = individual's unlocking ratio × individual's planned unlocking amount for the current year.

- (7) If the conditions for unlocking in the current Locking Period have not been fulfilled due to the failure in meeting the performance appraisal targets of the Company or the personal performance appraisal, the corresponding Restricted Shares shall not be deferred to the next period for unlocking, and shall be repurchased and cancelled by the Company.

3. Explanations on the scientificity and reasonableness of the appraisal indicators

The appraisal indicators of the Restricted Share Incentive Scheme of the Company are categorised into two levels, performance appraisal at the Company's level and performance appraisal at the individual's level respectively.

- (1) Net profit growth rate, return on net assets, percentage of revenue from principal businesses, cash dividend percentage and R&D investment are selected as performance appraisal indicators. These indicators are the Company's core financial and business indicators, which reflect the requirements on the Company's growth capabilities, profitability, income quality, Shareholder returns, etc.
- (2) When setting the target value of the above performance indicators, the industry conditions and the actual situation of the Company have been fully considered, and a relatively systematic and reasonable forecast and research analysis have been carried out.
- (3) In addition to the Company's performance appraisal, the Company has also set up a rigorous performance appraisal system for individuals, which can give a more accurate and comprehensive evaluation of the work performance of the Participants. The Company will determine the actual individual unlocking ratio of a Participant based on the results of the performance appraisal.

In summary, the appraisal system of the Incentive Scheme is complete, comprehensive and operable. The target value of the appraisal indicators is set reasonably, and at the same time, challenging and had achieved the effect of incentives and restraints. It is expected that the implementation objectives of the Incentive Scheme can be achieved.

(VI) Methods and Procedures for Adjustment of the Restricted Share Incentive Scheme

1. Methods of adjusting the number of Restricted Shares

In the event of capitalisation issue, bonus issue, share subdivision, rights issue or share consolidation by the Company during the period from the date of announcement of the Incentive Scheme to the unlocking period of the Restricted Shares held by the Participants, the number of Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

(1) Capitalisation issue, bonus issue and share subdivision

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

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue or share subdivision (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and share subdivision); Q represents the adjusted number of Restricted Shares.

(2) Rights issue

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

Where: Q_0 represents the number of Restricted Shares before the adjustment; P_1 represents the A Shares closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted Shares.

(3) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of share consolidation (i.e. one share of the Company shall be consolidated into n share); Q represents the adjusted number of Restricted Shares.

(4) New issue of shares, dividend distribution

Under the circumstance of additional issue of new shares and distribution of dividends, no adjustment will be made on the number of the Restricted Shares.

2. Method of adjusting the Grant Price of the Restricted Shares

In the event that, during the period from the date of the date of this announcement on the Incentive Scheme to the completion of registration of Restricted Shares held by the Participants, any capitalisation issue, bonus issue, share subdivision, rights issue or share consolidation or dividend distribution has been made, an adjustment to the Grant Price of Restricted Shares shall be made by the Company accordingly. The adjustment method is as follows:

(1) Capitalisation issue, bonus issue and share subdivision

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

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue and share subdivision; P represents the adjusted Grant Price.

(2) Rights issue

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

Where: P_0 represents the Grant Price before the adjustment; P_1 represents the A Shares closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted Grant Price.

(3) Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of share consolidation; P represents the adjusted Grant Price.

(4) Dividend distribution

$$P=P_0-V$$

Where: P_0 represents the Grant Price before the adjustment; V represents the dividend per share; P represents the adjusted Grant Price. P shall be greater than 1 after the dividend distribution.

(5) New issue of Shares

Under the circumstance of additional issue of new Shares by the Company, no adjustment will be made to the Grant Price of the Restricted Shares.

3. Adjustment procedures for the Restricted Shares Incentive Scheme

The General Meetings will authorise the Board to consider and make adjustments to the number of the Restricted Shares and the Grant Price and other relevant matters when the foregoing circumstances occur. The Company shall engage law firms to provide professional advice as to whether the aforementioned adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Scheme.

(VII) Accounting Treatment of the Restricted Shares

1. Grant Date: the share capital and capital reserve shall be recognised according to the status of the issuance of the Restricted Shares to the Participants by the Company.
2. Each balance sheet date during the Locking Periods: the services provided by the staff will be recognised as costs and the owners' equity or liability will be recognised on each balance sheet date during the Locking Periods.
3. Unlocking date: if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if the Restricted Shares have not been unlocked, they will be invalid and cancelled, and will be dealt with pursuant to the accounting standards and relevant requirements.

(VIII) Amortisation of the fair value and share-based payment expenses of the Restricted Shares

In accordance with the requirements of the “Accounting Standards for Enterprises No.11-Share-based Payment”, the Company shall measure the fair value of the share payment expense based on the difference between the A Shares closing price and the Grant Price on the Grant Date and recognise it as the share payment expense of the Incentive Scheme. The Company conducted a preliminary calculation and measured the fair value of the Restricted Shares granted based on the current A Shares closing price on the date of this announcement (formal measurement will be conducted at the time of grant). On this measurement date, the fair value of share payment per Restricted Share = market price of the A Shares of the Company – Grant Price, being RMB4.81.

The Company shall determine the fair value of the Restricted Shares on the Grant Date and ultimately recognise the share payment expense of the Incentive Scheme. Such expense shall be recognised in tranches pursuant to the unlocking ratio during the implementation of the Incentive Scheme. The costs of incentives incurred under the Incentive Scheme will be recorded as expenses in the recurring profits and losses.

Impact on the accounting cost of each of the period due to the grant of the Restricted Shares under the Incentive Scheme is set out below:

Number of Restricted Shares (0'000 Shares)	Total cost (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)
11,000	52,910.00	3,306.88	19,841.25	18,077.58	8,377.42	3,306.88

Note: Apart from the Grant Date, Grant Price and number of Restricted Shares granted, the accounting costs are also related to the actual number of equity interests that are valid and invalid. The final result of the above impact on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

1. Impact of share based payment on the financial results of the Company

The Company estimates that the amortisation of share based payment of the Incentive Scheme will affect the net profit for each year during the Validity Period. However, in view of the positive effect of the Incentive Scheme on the mobilisation of management enthusiasm, improvement in operation efficiency from long-term binding of the interests of the management and the Company and reduction in agent costs, improvement in performance of the Company brought by the Incentive Scheme will be much more than the share payment expense incurred, which fulfils the requirements of stable and long-term development of the Company.

2. Accounting treatment of termination of the Incentive Scheme

Upon the termination of the Incentive Scheme, pursuant to the requirement of the Accounting Standards for Business Enterprises, the unexercised Share Options and Restricted Shares which have yet to be unlocked (except for those cancelled due to failure to satisfy the performance conditions), shall be subject to the following accounting treatment:

- (1) the cancellation or settlement shall be treated as an acceleration of the exercise of Share Options (unlocking) and the amount which should have been recognised during the remaining vesting period (Locking Period) will be recognised immediately.
- (2) For Restricted Shares, all payments made to the staff on the cancellation or settlement shall be treated as the repurchase of equity interests. Should the amount paid for the repurchase exceeds the fair value of the equity instrument on the day of repurchase, such excess shall be recognised as the expense of the current period.

(IX) Repurchase and Cancellation of the Restricted Shares

1. Method for adjustment of repurchase price

Generally, the Company repurchases and cancels the Restricted Shares pursuant to requirements of the Incentive Scheme in which the repurchase price shall be the Grant Price but in the event that, after completion of the registration of the Restricted Shares granted to the Participants, if any capitalisation issue, bonus issue, share subdivision, rights issue, share consolidation, dividend distribution and others occurs to the Company, adjustment to the repurchase price of the Restricted Shares yet to be unlocked shall be made by the Company accordingly. The adjustment method is as follows:

- (1) Capitalisation issue, bonus issue and share subdivision

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

Where: P represents the Grant Price per Restricted Share upon adjustment; P_0 represents the Grant Price per Restricted Share before the adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue and share subdivision (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and share subdivision).

(2) Rights issue

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

Where: P represents the Grant Price upon adjustment; P_0 represents the Grant Price before the adjustment; P_1 represents the A Shares closing price on the record date; P_2 represents the price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

(3) Share consolidation

$$P = P_0 \div n$$

Where: P represents the Grant Price per Restricted Share upon adjustment; P_0 represents the Grant Price per Restricted Share before the adjustment; n represents the ratio of share consolidation (i.e. one share shall be consolidated into n share).

(4) Dividend distribution

$$P = P_0 - V$$

Where: P represents the Grant Price per Restricted Share after the adjustment; P_0 represents the Grant Price per Restricted Share before the adjustment; V represents the dividend per share; P shall be greater than 1 after the adjustment.

(5) New issue of Shares

Under the circumstance of additional issue of new Shares by the Company, no adjustment will be made to the Grant Price of the Restricted Shares.

2. Method for adjustment of repurchase quantity

Upon completion of registration of the Restricted Shares granted to the Participants, in case of capitalisation issue, bonus issue, share subdivision, rights issue and share consolidation and other matters affecting the total share capital or the number of Shares of the Company, it shall make adjustments to the repurchase quantity of the Restricted Shares yet to be unlocked accordingly. The adjustment method is as follows:

(1) Capitalisation issue, bonus issue and share subdivision

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

Where: Q_0 represents the number of Restricted Shares prior to adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue and share subdivision (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and share subdivision); Q represents the number of Restricted Shares after adjustment.

(2) Rights issue

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

Where: Q_0 represents the number of Restricted Shares prior to adjustment; P_1 represents the A Shares closing price on the record date; P_2 represents the price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the number of Restricted Shares after adjustment.

(3) Share consolidation

$$Q= Q_0 \times n$$

Where: Q_0 represents the number of Restricted Shares prior to adjustment; n represents the ratio of share consolidation (i.e. one share shall be consolidated into n share); Q represents the number of Restricted Shares after adjustment.

(4) New issue of Shares and dividend distribution

Under the circumstances of additional issue of new Shares and dividend distribution by the Company, no adjustment will be made to the number of the Restricted Shares.

3. Procedures for adjustment of repurchase quantity and price

- (1) The Board shall be authorised at the General Meetings to adjust the repurchase quantity or price of Restricted Shares based on the reasons listed above. After the adjustment according to the above provisions, an announcement shall be made in a timely manner by the Board.
- (2) The adjustment to the repurchase quantity or price of Restricted Shares for other reasons shall be subject to approval at the General Meetings.

4. Procedures of repurchase and cancellation

- (1) The Company convened a Board meeting to consider the repurchase of Restricted Shares that have yet to be unlocked.
- (2) Upon consideration, the Board will submit the resolution of share repurchase to the General Meetings for approval and make an announcement in a timely manner.
- (3) After the repurchase plan has been reviewed and approved on the General Meetings, the Company will apply to the SSE 45 days after the issuance of the creditor's notice. As confirmed by the SSE, the Depository and Clearing Company will handle the repurchase of Restricted Shares.
- (4) Restricted Shares falling to repurchase and cancellation cannot be granted to other Participants.

IV. Implementation Procedures of the Incentive Scheme

1. Procedures for the Incentive Scheme to take effect

- (1) The Remuneration and Assessment Committee of the Board is responsible for preparing the draft of the Incentive Scheme to be submitted to the Board for consideration.
- (2) The Board shall consider the resolutions on the Incentive Scheme in accordance with the laws. When the Board considers the Incentive Scheme, any Director who is also a Participant or is a related party to a Participant shall abstain from voting.
- (3) The Independent Directors and the Supervisory Committee shall issue opinions in respect of whether the Incentive Scheme is beneficial to the sustainable development of the Company and whether there is any situation which would noticeably prejudice the interests of the Company and the Shareholders as a whole.
- (4) The Company shall engage a law firm to issue legal opinions on the Incentive Scheme. An independent financial adviser shall issue professional opinions.
- (5) Before convening the General Meetings, the Company shall announce the list of Participants internally for not less than 10 days. The Supervisory Committee shall review the list of Participants and take sufficient consideration of the public opinions. The Company shall disclose the explanation of the Supervisory Committee regarding the review of the list of Participants and the status of announcement 5 days prior to the consideration of the Incentive Scheme at the General Meetings.
- (6) The Company shall carry out self-investigation on the trading of Shares of the Company by insiders within the 6 months prior to the date of this announcement to examine whether any insider trading exists.
- (7) The Incentive Scheme shall be considered and approved by the Municipal SASAC.
- (8) The Company shall issue notices on the convening of the General Meetings.
- (9) When the General Meetings are convened to consider the Incentive Scheme, the Independent Directors shall solicit proxy voting rights from all Shareholders regarding the relevant resolutions related to the Incentive Scheme.
- (10) The Incentive Scheme shall be proposed and voted at the General Meetings of the Company and be approved by more than 2/3 of the voting rights held by the attending Shareholders. Except for the Directors, Supervisors and senior management of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other Shareholders shall be separately counted and disclosed.

- (11) As authorised in the General Meetings, the Board is responsible for the implementation of matters such as the granting of the Incentive Scheme, the exercise and cancellation of the Share Options, as well as the unlocking, repurchase and cancellation of the Restricted Shares.

2. *Procedures for grant of the Incentive Scheme*

- (1) The Incentive Scheme shall be considered and approved at the General Meetings.
- (2) Within 60 days after the Incentive Scheme is considered and approved at the General Meetings and the satisfaction of the conditions of the grant, the Company shall convene a Board meeting to consider whether the Participants under the Incentive Scheme have satisfied the conditions of the grant prescribed therein and determine the Grant Date, and the Independent Directors shall issue clear opinions. Moreover, the Supervisory Committee shall verify the list of Participants and issue its opinions.
- (3) The Company shall engage a lawyer to issue legal opinions as to whether the Participants have satisfied the conditions of the grant. In case of discrepancies between the entitlements granted to the Participants by the Company and the arrangement under the Incentive Scheme, the independent financial adviser shall issue clear opinions at the same time.
- (4) The Company shall sign the “Agreement on the Granting of Share Options and Restricted Shares” with the Participants in order to determine their respective rights and obligations.
- (5) The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company as requested by the Company and have it verified and confirmed by a certified public accountant, otherwise the Participants shall be deemed as having waived the right to subscribe for the Restricted Shares.
- (6) The Company shall keep a register for management of the Incentive Scheme with reference to the agreements signed by the Participants and the situation regarding subscription and payment, and such register shall record the names of the Participants, number of grant, the Grant Date, etc.
- (7) The Company shall apply to the SSE for the grant of Share Options and the Restricted Shares to the Participants, and apply to the Depository and Clearing Company for the registration and settlement matters after the confirmation by the SSE.
- (8) After the completion of the registration of the grant, the Company shall, carry out the procedures in relation to the registration of the change of business information with the industrial and commercial registration authority for changes involving the registered capital of the Company.

3. Procedures for the exercise of Share Options

- (1) The Company shall confirm whether the Participants satisfy the Exercise Conditions before the date of exercise. The Board shall consider and review whether the Exercise Conditions as set out in the Incentive Scheme have been satisfied. The Independent Directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal opinions on whether or not the Exercise Conditions for Share Options have been satisfied by the Participants.
- (2) Before the Share Options are exercised, the Company shall apply to the SSE for exercise application and issue the Shares to the Participants directly based on the number of Share Options to be exercised as set out in the application. After approval by the SSE, the Depository and Clearing Corporation shall handle the matters in relation to registration and clearing.
- (3) The Company may provide a unified or autonomous method of exercise to the Participants according to the actual situation.
- (4) The Company shall carry out the procedures in relation to the registration of the change of business information with the industrial and commercial registration authority.

4. Procedures for unlocking of the Restricted Shares

- (1) Prior to the date of unlocking, the Company shall confirm whether the Participants have satisfied the Unlocking Conditions. The Board shall consider whether the Unlocking Conditions prescribed under the Incentive Scheme have been satisfied and the Independent Directors and Supervisory Committee shall issue clear opinions. The law firm shall issue legal opinions as to whether the Unlocking Conditions of the Restricted Shares have been satisfied.
- (2) As to the Participants who have satisfied the Unlocking Conditions, the Company shall tender applications to the SSE to unlock the Restricted Shares. After confirmation by the SSE, the Company shall apply to the Depository and Clearing Company for the relevant registration and settlement matters.
- (3) Restricted Shares which correspond to such unlocking held by Participants who have not satisfied the Unlocking Conditions shall be repurchased and cancelled by the Company. The Company shall disclose the implementation thereof timely by way of announcement. The Company shall carry out the procedures in relation to the registration of the change of business information with the industrial and commercial registration authority for changes involving the registered capital of the Company.

- (4) Participants may transfer their unlocked Restricted Shares whereas the transfer of the Restricted Shares held by the Directors and members of senior management shall comply with the requirements of the relevant laws, regulations and regulatory documents.

5. Procedures for amending and terminating the Incentive Scheme

(1) Procedures for amending the Incentive Scheme

- 1 Any proposed amendment to the Incentive Scheme by the Company prior to consideration and approval of the Incentive Scheme at the General Meetings shall be subject to consideration and approval by the Board.
- 2 Any proposed amendment to the Incentive Scheme by the Company after approval of the Incentive Scheme at the General Meetings shall be subject to consideration and approval at the General Meetings, provided that such amendment shall not:
 - (1) accelerate exercise and advance unlocking;
 - (2) reduce the Exercise Price or the Grant Price.

(2) Procedures for terminating of the Incentive Scheme

- 1 Proposed termination of the Incentive Scheme by the Company prior to consideration and approval of the Incentive Scheme at the General Meetings shall be subject to consideration and approval by the Board.
- 2 Proposed termination of the Incentive Scheme by the Company after approval of the Incentive Scheme at the General Meetings shall be subject to consideration and approval at the General Meetings.
- 3 The law firm engaged shall issue professional opinions as to whether the termination of the Incentive Scheme is in compliance with the Administrative Measures, the relevant laws, regulations and regulatory documents, and whether there is any situation which would noticeably prejudice the interests of the Company and the Shareholders as a whole.
- 4 When the Incentive Scheme is terminated, the Company shall cancel the unexercised Share Options and repurchase the Restricted Shares that have not been unlocked and deal with them in accordance with the relevant requirements of the Company Law.

V. Respective Rights and Obligations of the Company/Participants

1. Rights and Obligations of the Company

- (1) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Participants based on the requirements under the Incentive Scheme. If a Participant fails to fulfill the Exercise/Unlocking Conditions of the Incentive Scheme, the Company will cancel unexercised Share Options, repurchase and cancel the Restricted Shares of the Participants, which have not been unlocked in accordance with the principles under the Incentive Scheme.
- (2) The Company undertakes not to provide loans and financial assistance in any other form, including providing guarantee for loans, to the Participants for acquiring the Share Options and the Restricted Shares under the Incentive Scheme.
- (3) The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure of the Share Options and the Restricted Shares Incentive Scheme in accordance with the relevant requirements.
- (4) The Company shall actively support the Participants who have fulfilled the Exercise/Unlocking Conditions to exercise/unlock the Restricted Shares in accordance with the relevant requirements of the Incentive Scheme, the CSRC, the SSE, the Depository and Clearing Company. However, the Company disclaims any liability for losses incurred by the Participants who fail to exercise/unlock the Restricted Shares at their own will due to reasons caused by the CSRC, the SSE and the Depository and Clearing Company.
- (5) Other relevant rights and obligations stipulated under the laws and regulations.

2. *Rights and Obligations of the Participants*

- (1) A Participant shall comply with the requirements of his position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (2) The Shares granted to a Participant shall be locked up in accordance with the requirements under the Incentive Scheme and the “Agreement on the Granting of Share Options and Restricted Shares”.
- (3) Source of funds of the Participants shall be self raised funds of the Participants.
- (4) The Restricted Shares granted to the Participants shall not be transferred or used as guarantee or for repayment of debt before unlocking.
- (5) The Share Options granted to the Participants are not entitled with voting rights and decision making rights and do not involve in the distribution of bonus shares and dividends before being exercised. The Share Options granted to the Participants shall not be transferred, used for guarantee or repayment of debts during the Vesting Period.
- (6) Upon completion of registration by the Depository and Clearing Company, the Restricted Shares granted to the Participants shall have the same rights as the Shares, including but not limited to the rights to dividend and rights to rights issue.
- (7) Any gains of the Participants generated from the Incentive Scheme are subject to individual income tax and other taxes according to PRC tax laws.
- (8) The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for exercise of the entitlements, the Participants shall return to the Company all interests gained through the Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements or misleading representations or material omissions.
- (9) Upon consideration and approval of the Incentive Scheme at the General Meetings, the Company will sign the “Agreement on the Granting of Share Options and Restricted Shares” with each Participant in order to define their respective rights and obligations under the Incentive Scheme and other relevant matters.
- (10) Other relevant rights and obligations under the laws, regulations and the Incentive Scheme.

VI. Handling Unusual Changes to the Company/Participants

1. Handling Unusual Changes to the Company

(1) The Incentive Scheme shall be terminated immediately if any of the following events occurs to the Company:

1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
4. prohibition from implementation of a share incentive scheme by laws and regulations;
5. other circumstances under which the Incentive Scheme shall be terminated as determined by the CSRC.

Where any of the abovementioned circumstances occurs to the Company under which the Incentive Scheme shall be terminated, the Share Options of the Participants which have been granted but not yet exercised shall be cancelled by the Company; the Restricted Shares of the Participants which have been granted but not yet unlocked shall be repurchased and cancelled by the Company at a repurchase price equals to the lower of the Grant Price and the A Shares market price (The A Shares market price refers to the Company's A Shares closing price on the day when the Board considers and approves the repurchase).

(2) The Incentive Scheme shall remain unchanged and the Company shall proceed to implement the Scheme as stipulated in the event that any of the following events occurs to the Company:

- 1 change in control of the Company;
2. merger or spin-off of the Company.

(3) The Company has failed to meet the performance appraisal targets set out in the Incentive Scheme and the Share Options corresponding to the Participants which have been granted but not exercised shall not be exercised and shall be cancelled by the Company. Restricted shares which have been granted but have not been unlocked will be repurchased and cancelled by the Company at the lower of the grant price and the A Share price (A Share price refers to the closing price of the Company's A shares on the day when the Board considered the repurchase).

- (4) If the Company fails to meet the conditions of grant for rights or the exercise of rights arrangement due to false records, misleading statements or major omissions in the information disclosure documents, Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company. Restricted Shares that have not been unlocked shall be repurchased and cancelled by the Company at the lower of the grant price and the A Share price (A Share price refers to the closing price of the Company's A shares on the day when the Board considered the repurchase). If the Share Options granted to the Participants have been exercised and the Restricted Shares have been unlocked, all Participants shall return all the gains received under the Incentive Scheme. The Board shall recover the income of the Participants in accordance with the relevant arrangements of the Incentive Scheme.

2. *Changes in Personal Situation of the Participants*

- (1) Within six months from the occurrence of any of the following situations, the Share Options of the Participants which have reached the exercise time and satisfied the performance appraisal conditions in the current year can be exercised, while the Share Options that have not reached the exercise time and satisfied the performance appraisal conditions shall be cancelled by the Company; the Restricted Shares of the Participant which have reached the time for unlocking the sales restrictions and satisfied the performance appraisal conditions in the current year can be unlocked from the sales restriction, while the Restricted Shares that have not yet reached the time for unlocking the sales restriction and satisfied the performance appraisal conditions will be repurchased and cancelled by the Company at a price equals to the Grant Price plus the bank deposit interest calculated at the time of the repurchase and the bank deposit interest rate for the same period announced by the People's Bank of China:
- ① Participant is transferred out of the Company due to organisational arrangements and no longer works in the Company;
 - ② Death of the Participant (the legal successor shall exercise the power or unlock the sales restriction according to regulations);
 - ③ Where the Participant suffers from loss of civil capacity;
 - ④ Participant has reached the legal retirement age and retires normally;
 - ⑤ The Participant dismisses or terminates his/her labor relationship with the Company due to other objective reasons.
- (2) In any of the following situations, all unexercised Share Options of the Participants shall be cancelled by the Company. All Restricted Shares that have not been unlocked shall be repurchased and cancelled by the Company. The repurchase price is the Grant Price plus the bank deposit interest calculated from the benchmark deposit interest rate for the same period announced by the People's Bank of China at the time of repurchase:
- ① When the Participant becomes an Independent Director or Supervisor;
 - ② When the labor contract expires, the Company voluntarily requests not to renew the contract which is not due to any fault of the Participant.

- (3) In any of the following situations, all unexercised Share Options of the Participants will be cancelled by the Company. All Restricted Shares that have not been unlocked are repurchased and cancelled by the Company. The repurchase price is the lower of the grant price and the A Share price at the time of the repurchase (the A Share price refers to the closing price of the Company's A Shares on the day the Board considered the repurchase), and the gains received under the Incentive Scheme are not required to be returned to the Company:
- ① Participant resigns;
 - ② Participant's performance appraisal fails to meet the standard or the labor contract is terminated due to his/her incompetency;
 - ③ When the labor contract expires, the Participant voluntarily requests not to renew the contract which is not due to any fault of the Company;
 - ④ The employment relationship is dismissed or terminated due to the Participant's other personal reasons.
- (4) In any of the following situations, the Share Options of the Participant that have been granted but not exercised shall be cancelled by the Company. All Restricted Shares that have not been unlocked are repurchased and cancelled by the Company, and the repurchase price is the lower of the grant price and the A Share price at the time of repurchase (the A Share price refers to the closing price of the Company's A Shares on the day the Board considered the repurchase). All the gains received under the Incentive Scheme shall be returned to the Company:
- ① The economic responsibility review and audit results and etc. show that they have not performed their duties effectively or have seriously neglected their duties or are involved in dereliction of duty;
 - ② Violation of relevant national laws and regulations, as well as the provisions of the Articles of Association;
 - ③ Committed conducts in violation of the laws and regulations including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade and technical secrets of the Company, carrying out related party transactions, which had significant negative effects on the Company's reputation and image and was subject to punishment;
 - ④ Failure to perform or fail to perform duties correctly has caused large asset losses and other serious adverse consequences to the Company (depending on the Company's assessment results);
 - ⑤ Violating the duty of loyalty and diligence stipulated in the Company Law and the Articles of Association.
- (5) Other circumstances not stated above and the handling method thereof shall be determined by the Board.

3. Resolution of disputes between the Company and Participants

Any disputes between the Company and the Participants shall be resolved in accordance with the provisions of the Incentive Scheme and the “Agreement on the Granting of Share Options and Restricted Shares”. Disputes not clearly covered by the provisions shall be resolved by both parties in accordance with PRC laws and the principle of fairness and reasonableness. Where the disputes cannot be settled through negotiations, they shall be referred to the People’s Court with jurisdiction over the Company’s place of domicile.

VII. Information of the Company, Reasons for and Benefits of Adopting the Incentive Scheme

The Group’s principal activities consist of manufacture and sale of passenger vehicles, commercial vehicles, engines and other automobile parts and components, including the research and development, manufacturing, sales and after-sales services of passenger vehicles, commercial vehicles, motorcycles, engines and other automobile parts and components, the import and export of automobile-related products, automobile leasing, logistics services, automobile disassembling and automobile credit, insurance, insurance brokerage services and equity interest investment. The ultimate beneficial owner of the Group is the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People’s Government.

Facing the severe and complicated domestic and international economic situation, the automobile industry has entered a downward cycle. The focus of the domestic automobile market has shifted from incremental market to stock market, with industry competition and reshuffling being intensified. In order to gain an initial advantage in the incremental market competition, seize the initial opportunity, and pursue new breakthroughs amid the industry crisis, the Company intends to implement a more effective incentive scheme. The Incentive Scheme is beneficial to the consistency and continuity of the mid and long-term incentive mechanism of the Company. With strong incentives and constraints, the Incentive Scheme gives full play to the enthusiasm of the core management team and key talents by greatly binding their personal interests with the development results of the Company. As a result, all staff of the Company is encouraged to overcome industry adversity and restore the growth of the Company’s results with concerted efforts. The Board is of the view that the adoption of the Incentive Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Incentive Scheme are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VIII. Listing Rules Implication

1. The A Share Option Incentive Scheme

The Share Options Incentive Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules. Pursuant to Rule 14A.92(3)(a) of the Listing Rules, the grant of the Share Options to any Participants who are connected persons of the Company under the Share Options Incentive Scheme is exempted from reporting, announcement and independent Shareholder's approval requirement. The Company will apply for a waiver from strict compliance with the requirement of note 1 to Rule 17.03(9) of the Listing Rules in respect of the Exercise Price of the Share Options which may be granted under the A Share Option Incentive Scheme.

2. The Restricted A Share Incentive Scheme

The Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules. The grant of the Restricted Shares to connected persons of the Company under the Restricted Share Incentive Scheme will constitute a non-exempt connected transaction of the Company, which is subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An independent board committee will be established by the Company to advise the independent Shareholders' of the Company in respect of the grant of the Restricted Shares to the Participants who are connected persons of the Company. Gram Capital Limited will also be appointed by the Company as the independent financial adviser to advise the independent board committee and the independent Shareholders of the Company in respect of the grant of the Restricted Shares to the Participants who are connected persons of the Company.

IX. General Meetings and circular

Shareholders' approval will be sought at the EGM and the Class Meetings to approve, among other things, the proposed adoption of the A Share Option and Restricted Share Incentive Scheme. The specific time of the EGM and the Class Meetings will be determined by the Company when appropriate. A circular containing further details of the terms of the 2020 A Share Option and Restricted Share Incentive Scheme, the notice of the EGM and the notice of H Shareholders' Class Meeting will be despatched to the Shareholders on or before 19 October 2020 in accordance with the requirements under the Listing Rules and the Articles of Association.

DEFINITIONS

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

“A Shares”	domestic Share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the SSE and traded in Renminbi (Stock Code: 601238)
“A Shareholders’ Class Meeting”	the class meeting for holders of A Shares to be held by the Company to consider and, if thought fit, approve, among other things, the resolutions relating to the adoption of the Incentive Scheme and the grant of Share Options and Restricted Shares to the connected persons of the Company
“A Share Option Incentive Scheme”	the part in relation to A Share Option under the Incentive Scheme
“Administrative Measures”	the Administrative Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
“Articles of Association”	the Articles of Association of Guangzhou Automobile Group Co., Ltd.
“Board”	the board of directors of the Company
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting convened by the Company for approving the Incentive Scheme
“Company”	Guangzhou Automobile Group Co., Ltd., a joint stock limited company incorporated in the PRC, the issued H Shares and A Shares of which are listed on the Stock Exchange and the SSE respectively
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Depository and Clearing Company”	Shanghai Branch of the China Securities Depository and Clearing Corporation Limited
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting to be held by the Company to consider and, if thought fit, approve, among other things, the resolutions relating to the adoption of the Incentive Scheme and the grant of Share Option and Restricted Shares to the connected persons of the Company
“Exercise Conditions”	the conditions required to be satisfied by the Participants to exercise the Share Options under the Incentive Scheme
“Exercisable Date”	the date on which the Participants are entitled to exercise the Share Options in accordance with the Incentive Scheme, which must be a trading day
“Exercise Period”	the period which the Participants are entitled to exercise the Share Options in accordance with the Incentive Scheme
“Exercise Price”	The price determined when the Company grants Share Options to the Participants, and the price at which the Participants purchase the Shares of the Company in accordance with the terms of the Incentive Scheme and the price per share that can be subscribed when the Share Options are exercised
“General Meetings”	the EGM, A Shareholders’ Class Meeting, and H Shareholders’ Class Meeting to be convened by the Company
“Grant Date”	the date on which the Company grants entitlements to the Participants, which must be a trading day
“Grant Price”	the price of each Restricted Share granted to the Participants by the Company
“Group”	the Company and its subsidiaries
“H Shares”	the overseas-listed foreign Share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Stock Exchange (Stock Code: 2238)
“H Shareholders’ Class Meeting”	the class meeting for holders of H Shares to be held by the Company to consider and, if thought fit, approve, among other things, the resolutions relating to the adoption of the Incentive Scheme and the grant of Share Options and Restricted Shares to the connected persons of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Incentive Scheme”	the proposed adoption of 2020 A Share Option and Restricted Share Incentive Scheme of the Company
“Independent Director(s)”	the independent non-executive director(s) of the Company
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Locking Period(s)”	the period(s) during which the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used as guarantee, or for repayment of debts, commencing from the completion date of the Restricted Shares registration
“Municipal SASAC”	State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People’s Government
“Participant(s)”	the Directors, senior management, other management personnel who has a direct impact on the Company’s operating performance and key core technical (business) personnel of the Company to be granted the Share Options and Restricted Shares pursuant to the Incentive Scheme, excluding Independent Directors, external Directors, Supervisors, and the person in charge of the enterprise which is appointed and managed by the organisation in accordance with the regulatory requirements of the SASAC and excluding Shareholders and their spouses, parents, and children who individually or collectively hold more than 5% of the Shares of the Company
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Regulating Notice”	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號))
“Restricted Share(s)”	a certain number of A Shares granted to the Participants by the Company according to the conditions and price stipulated in the Incentive Scheme, which are subject to a locking period and can only be unlocked for trading when the Unlocking Conditions as stipulated in the Incentive Scheme are satisfied
“Restricted Share Incentive Scheme”	the part in relation to Restricted Share under the Incentive Scheme

“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Securities Law”	the Securities Law of the PRC
“Share Option(s)”	the right to be granted to a Participant by the Company to acquire certain number of shares of the Company at a pre-determined price and conditions in a particular period of time
“SSE”	the Shanghai Stock Exchange
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holders of the Company’s Shares including A Share(s) and H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	Supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Trial Measures”	the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號))
“Unlocking Period(s)”	the period(s) during which the Restricted Shares of the Participants are unlocked and can be transferred upon the fulfillment of the Unlocking Conditions as stipulated in the Incentive Scheme
“Unlocking Condition(s)”	the conditions prescribed under the Incentive Scheme which have to be satisfied to unlock the Restricted Shares granted to the Participants

“Validity Period”	from the date when the registration of the grant of the Share Options and the Restricted Shares is completed to the date when all the Share Options granted to the Participants have been exercised or cancelled, and all Restricted Shares have been unlocked from sales restrictions or repurchased and cancelled
“Vesting Period”	the period from the date when the Share Options registration is completed to the Exercise Date of Share Options
“Work Notice”	the Notice on Further Improving the Implementation of Share Incentive Schemes by Central SOE-controlled Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102) (《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(國資發考分規[2019]102號))
“Work Guidance”	the Notice on the Distribution of the Guidelines for the Implementation of Share Incentive Schemes by Central SOE-controlled Listed Companies (Guo Zi Kao Fen [2020] No. 178) (《關於印發〈中央企業控股上市公司實施股權激勵工作指引〉的通知》(國資考分[2020]178號))
“%”	percent

By order of the Board
Guangzhou Automobile Group Co., Ltd.
ZENG Qinghong
Chairman

Guangzhou, the PRC, 24 September 2020

As at the date of this announcement, the executive directors of the Company are ZENG Qinghong and FENG Xingya, the non-executive directors of the Company are CHEN Xiaomu, CHEN Maoshan, CHEN Jun, DING Hongxiang and HAN Ying, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.