
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **Guangzhou Automobile Group Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed dealer in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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 THE 2020 A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME
(2) CONNECTED TRANSACTION
RELATING TO PROPOSED GRANT UNDER
THE A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(4) NOTICE OF 2020 SECOND EXTRAORDINARY GENERAL MEETING
(5) NOTICE OF 2020 FIRST CLASS MEETING
FOR HOLDERS OF H SHARES**

**Independent Financial Adviser to the Independent Board
Committee and Independent Shareholders**



The letter from the Board is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee is set out on pages 28 to 29 of this circular. A letter from the Independent Financial Adviser is set out on pages 30 to 41 of this circular.

The EGM and H Shareholders' Class Meeting of Guangzhou Automobile Group Co., Ltd. (the "**Company**") will be held at Conference Room, 32/F, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC at 2:00 p.m. on Friday, 13 November 2020. The notices convening the EGM and H Shareholders' Class Meeting and forms of proxy were dispatched to the Shareholders on Thursday, 22 October 2020. The relevant notice and forms of proxy were also published on the website of the Stock Exchange.

Whether or not you are able to attend the said meeting, you are requested to complete form of proxy enclosed in accordance with the instructions printed thereon and return the same to the Company as soon as possible. The form of proxy of the EGM and the H Shareholders' Class Meeting shall be returned to the Company's H Share Registrar, Tricor Investor Services Limited, at least 24 hours before the time of holding of such meeting (i.e. 2:00 p.m. on Thursday, 12 November 2020) or at least 24 hours before the designated time of voting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

22 October 2020

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DEFINITIONS

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

“A Share Option Incentive Scheme”	the part in relation to A Share Option under the Incentive Scheme
“A Shareholders’ Class Meeting”	the 2020 first class meeting for holders of A Shares to be held by the Company on Friday, 13 November 2020 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 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)
“Administrative Measures”	the Administrative Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
“Announcement”	the announcement of the Company dated 24 September 2020 in relation to, among other things, the proposed adoption of the Incentive Scheme and the Proposed Grant
“Appraisal Management Measures”	Appraisal Management Measures for Implementation of the 2020 A Share Option and Restricted Share Incentive Scheme of the Company
“Articles of Association”	the Articles of Association of Guangzhou Automobile Group Co., Ltd.
“associate(s)”	has the meaning ascribed to it under Hong Kong Listing Rule
“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

DEFINITIONS

“Company Law”	the Company Law of the PRC
“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 on Friday, 13 November 2020 to consider and, if thought fit, approve, among other things, the resolutions relating to the adoption of the Incentive Scheme and the Proposed Grant of Restricted Shares to the connected persons of the Company
“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 Conditions”	the conditions required to be satisfied by the Participants to exercise the Share Options under 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 to 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

DEFINITIONS

“H Shareholders’ Class Meeting”	the 2020 first class meeting for holders of H Shares to be held by the Company on Friday, 13 November 2020 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
“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)
“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 Board Committee”	the committee formed by all independent non-executive Directors, so as to give advice to Independent Shareholders in respect of the Incentive Scheme and the Proposed Grant of Restricted Shares to connected person(s) of the Company
“Independent Director(s)”	the independent non-executive director(s) of the Company
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited (嘉林資本有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, to be appointed as the independent financial adviser to give advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Grant of Restricted Shares to connected person(s) of the Company
“Independent Shareholder(s)”	Shareholders other than shareholders who are Participants being connected persons of the Company
“Latest Practicable Date”	19 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

“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 excluding Shareholders and their spouses, parents, and children who individually or collectively hold more than 5% of the Company’s Shares
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Grant”	the proposed grant of Share Option(s) and/or Restricted Share(s) to the Participants according the Incentive Scheme
“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 Shares under the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Securities Law”	the Securities Law of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“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)
“SSE”	the Shanghai Stock Exchange
“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, for the avoidance of doubt, none of the member of the Supervisory Committee is eligible to be a Participant of the Incentive Scheme
“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 Condition(s)”	the conditions prescribed under the Incentive Scheme which have to be satisfied to unlock the Restricted Shares granted to the Participants
“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

DEFINITIONS

“Validity Period”	from the date when the registration of the grant of the Share Options and the Restrictive Shares is completed to the date when all the Share Options granted to the Participants have been exercised or cancelled, and all restrictive 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 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))
“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))
“%”	percent

LETTER FROM THE BOARD



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)

Executive Directors:

Zeng Qinghong (*Chairman*)

Feng Xingya (*General Manager*)

Non-executive Directors:

Chen Xiaomu

Chen Maoshan

Chen Jun

Ding Hongxiang

Han Ying

Independent non-executive Directors:

Zhao Fuquan

Xiao Shengfang

Wong Hakkun

Song Tiebo

Registered office:

23/F, Chengyue Building

448-458 Dong Feng Zhong Road

Yuexiu District

Guangzhou, the PRC

Office address:

GAC Center

No. 23 Xingguo Road

Zhujiang New Town

Tianhe District

Guangzhou, the PRC

Principal place of business

in Hong Kong:

Room 808, Citicorp Centre

18 Whitfield Road

Causeway Bay, Hong Kong

22 October 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE 2020 A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME**

**(2) CONNECTED TRANSACTION
RELATING TO PROPOSED GRANT UNDER
THE A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME**

**(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(4) NOTICE OF 2020 SECOND EXTRAORDINARY GENERAL MEETING
(5) NOTICE OF 2020 FIRST CLASS MEETING
FOR HOLDERS OF H SHARES**

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 September 2020 in relation to the proposed adoption of the 2020 A Share Option and Restricted Share Incentive Scheme by the Company.

The purpose of this circular is to provide Shareholders with further information regarding the resolutions to be proposed at the EGM and the H Shareholders' Class Meeting (as the case may be) in relation to the (i) Incentive Scheme; (ii) Appraisal Management Measures; (iii) the grant of mandate to the Board to deal with matters in relation to the Incentive Scheme; (iv) the Proposed Grant and (v) the proposed amendments to the Articles of Association, so as to enable the Shareholders to make an informed decision as to how to vote at the EGM and the H Shareholders' Class Meeting.

II. PROPOSED ADOPTION OF 2020 A SHARE OPTION AND RESTRICTED SHARE 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.

The Company hereby announces that on 24 September 2020, the Board passed a resolution in relation to the proposed adoption of the Incentive Scheme and the Proposed Grant thereunder and resolved that it will be proposed at the Shareholders' Meetings for the Shareholders to consider, and if thought fit, to approve the adoption of the Incentive Scheme and the Proposed Grant thereunder by way of resolutions. The Incentive Scheme shall become effective upon consideration and approval at the Shareholders' Meetings.

The summary of the principal terms of the Incentive Scheme is set out in Appendix I to this circular.

The A Share Option Incentive Scheme under the Incentive Scheme

According to the terms of the Incentive Scheme, the Participants are entitled to exercise the Share Options within the relevant Exercise Period, and can exercise the corresponding Share Options on the premise that certain specified performance appraisal conditions have been met in the previous year, and the Exercise Price of the Share Options is determined by the Board subject to the requirements of the Incentive Scheme. By setting the Exercise Period and performance appraisal conditions and the

LETTER FROM THE BOARD

Exercise Price, the Participants will have to work towards meeting these standards for the purpose of contributing to the success of the Company. Such terms and conditions are set with the objective of serving the purpose of the Incentive Scheme as set out above.

No trustee had been or will be appointed for the administration of the Incentive Scheme.

III. PROPOSED GRANT

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 Latest Practicable Date 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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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	Maximum number of options (0'000 Shares)	Proportion in the maximum number 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/company secretary	24.5	0.2227%	0.0024%
10	Yu Jun	Director of subsidiary	24.5	0.2227%	0.0024%
11	Zheng Heng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
12	Wen Dali	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
13	Zhang Yuesai	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
14	Zhang Zongsheng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
15	Li Quming	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
16	Chen Xiushen	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
17	Lai Boyi	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
18	Li Jin	Director of subsidiary	24.5	0.2227%	0.0024%
19	Hu Su	Director of subsidiary	24.5	0.2227%	0.0024%
20	Liu Wei	Director of subsidiary	24.5	0.2227%	0.0024%
21	Wu Jian	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
22	Gu Huinan	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
23	Xia Xianqing	Director of subsidiary	24.5	0.2227%	0.0024%
24	Yan Jianming	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
25	Gong Hanqing	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
26	Xu Yulin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
27	Yuan Feng	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
28	Li Jianying	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
29	Zeng Hebin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
30	Zheng Chao	Director and supervisor of subsidiary	12.83	0.1166%	0.0013%
31	Yuan Xiaohua	Director of subsidiary	11.55	0.1050%	0.0011%
32	Li Ming	Director of subsidiary	10.26	0.0933%	0.0010%
33	Zheng Qin	Director of subsidiary	12.83	0.1166%	0.0013%
34	Zhang Zhiyong	Director of subsidiary	11.55	0.1050%	0.0011%
35	He Jinpei	Director of subsidiary	12.83	0.1166%	0.0013%
36	Xu Xiao	Director of subsidiary	11.55	0.1050%	0.0011%
37	Dai Binzheng	Director of subsidiary	8.08	0.0735%	0.0008%
38	Huang Yongqiang	Director of subsidiary	11.55	0.1050%	0.0011%
39	Liu Zongxin	Director of subsidiary	11.55	0.1050%	0.0011%

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No.	Name	Position	Maximum number of options (0'000 Shares)	Proportion in the maximum number of Share Options to be granted	Proportion in the total share capital
40	Gao Yongping	Director of subsidiary	8.98	0.0816%	0.0009%
41	Qu Haiwen	Director of subsidiary	8.08	0.0735%	0.0008%
42	Fu Jinming	Director of subsidiary	6.47	0.0588%	0.0006%
43	Cai Jie	Director of subsidiary	12.83	0.1166%	0.0013%
44	Li Hui	Director of subsidiary	8.98	0.0816%	0.0009%
45	Huang Yongsheng	Director of subsidiary	11.55	0.1050%	0.0011%
46	Xi Zhongmin	Director of subsidiary	11.55	0.1050%	0.0011%
47	Xiang Jing	Director of subsidiary	6.47	0.0588%	0.0006%
48	Zu Wei	Director of subsidiary	6.47	0.0588%	0.0006%
49	Li Canhui	Director of subsidiary	11.55	0.1050%	0.0011%
50	Wu Zeyun	Director of subsidiary	8.98	0.0816%	0.0009%
51	Chen Yongjun	Director of subsidiary	8.98	0.0816%	0.0009%
52	Huang Zhuo	Director of subsidiary	6.29	0.0572%	0.0006%
53	Zeng Chaoxi	Director of subsidiary	5.66	0.0515%	0.0006%
54	Liu Yuanming	Director of subsidiary	4.53	0.0412%	0.0004%
55	Zeng Huadong	Director of subsidiary	1.58	0.0144%	0.0002%
56	Li Jixuan	Director of subsidiary	4.53	0.0412%	0.0004%
57	Guo Jia	Director of subsidiary	4.53	0.0412%	0.0004%
58	Jiang Qionghui	Director of subsidiary	8.98	0.0816%	0.0009%
59	Zhang Junying	Director of subsidiary	6.47	0.0588%	0.0006%
60	Zhou Chao	Director of subsidiary	8.08	0.0735%	0.0008%
61	Wu Weiling	Director of subsidiary	4.53	0.0412%	0.0004%
62	Zhu Gang	Director of subsidiary	8.98	0.0816%	0.0009%
63	Huang Kan	Senior management and acting general manager of subsidiary	8.08	0.0735%	0.0008%
64	Zheng Xin	Senior management of subsidiary and proposed general manager of subsidiary	8.98	0.0816%	0.0009%
Other personnel (not exceeding 3,136 persons)			10,054.73	91.40%	0.98%
Total (not exceeding 3,200 persons)			11,000.00	100%	1.07%

LETTER FROM THE BOARD

Notes:

1. 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 Latest Practicable Date. Among them, the number of Share Options and Restricted Shares to be granted shall not exceed 110,000,000 Shares respectively, representing approximately 1.07% of the total share capital of the Company as at the Latest Practicable Date respectively. In compliance with the requirements under the Listing Rules, 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.
3. Participants no.1-64 are connected persons of the Company. Save as disclosed herein, all other Participants being grantees of Share Options are independent third parties, i.e. not connected persons of the Company.

(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 conditions of the grant is satisfied. 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.

LETTER FROM THE BOARD

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%

LETTER FROM THE BOARD

Exercise arrangement	Exercise time	Proportion of exercisable Share Options
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 shall 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.

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- (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.

The Restricted Share 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 Latest Practicable Date, 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.

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

No.	Name	Position	Maximum number of Restricted Shares (0'000 shares)	Proportion in the maximum number of Restricted Shares 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/company secretary	24.5	0.2227%	0.0024%
10	Yu Jun	Director of subsidiary	24.5	0.2227%	0.0024%
11	Zheng Heng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
12	Wen Dali	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
13	Zhang Yuesai	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
14	Zhang Zongsheng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
15	Li Quming	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
16	Chen Xiushen	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
17	Lai Boyi	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
18	Li Jin	Director of subsidiary	24.5	0.2227%	0.0024%
19	Hu Su	Director of subsidiary	24.5	0.2227%	0.0024%
20	Liu Wei	Director of subsidiary	24.5	0.2227%	0.0024%
21	Wu Jian	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
22	Gu Huinan	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
23	Xia Xianqing	Director of subsidiary	24.5	0.2227%	0.0024%
24	Yan Jianming	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
25	Gong Hanqing	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
26	Xu Yulin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
27	Yuan Feng	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
28	Li Jianying	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
29	Zeng Hebin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
30	Zheng Chao	Director and supervisor of subsidiary	12.83	0.1166%	0.0013%
31	Yuan Xiaohua	Director of subsidiary	11.55	0.1050%	0.0011%
32	Li Ming	Director of subsidiary	10.26	0.0933%	0.0010%
33	Zheng Qin	Director of subsidiary	12.83	0.1166%	0.0013%
34	Zhang Zhiyong	Director of subsidiary	11.55	0.1050%	0.0011%
35	He Jinpei	Director of subsidiary	12.83	0.1166%	0.0013%
36	Xu Xiao	Director of subsidiary	11.55	0.1050%	0.0011%
37	Dai Binzheng	Director of subsidiary	8.08	0.0735%	0.0008%
38	Huang Yongqiang	Director of subsidiary	11.55	0.1050%	0.0011%

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No.	Name	Position	Maximum number of Restricted Shares (0'000 shares)	Proportion in the maximum number of Restricted Shares to be granted	Proportion in the total share capital
39	Liu Zongxin	Director of subsidiary	11.55	0.1050%	0.0011%
40	Gao Yongping	Director of subsidiary	8.98	0.0816%	0.0009%
41	Qu Haiwen	Director of subsidiary	8.08	0.0735%	0.0008%
42	Fu Jinming	Director of subsidiary	6.47	0.0588%	0.0006%
43	Cai Jie	Director of subsidiary	12.83	0.1166%	0.0013%
44	Li Hui	Director of subsidiary	8.98	0.0816%	0.0009%
45	Huang Yongsheng	Director of subsidiary	11.55	0.1050%	0.0011%
46	Xi Zhongmin	Director of subsidiary	11.55	0.1050%	0.0011%
47	Xiang Jing	Director of subsidiary	6.47	0.0588%	0.0006%
48	Zu Wei	Director of subsidiary	6.47	0.0588%	0.0006%
49	Li Canhui	Director of subsidiary	11.55	0.1050%	0.0011%
50	Wu Zeyun	Director of subsidiary	8.98	0.0816%	0.0009%
51	Chen Yongjun	Director of subsidiary	8.98	0.0816%	0.0009%
52	Huang Zhuo	Director of subsidiary	6.29	0.0572%	0.0006%
53	Zeng Chaoxi	Director of subsidiary	5.66	0.0515%	0.0006%
54	Liu Yuanming	Director of subsidiary	4.53	0.0412%	0.0004%
55	Zeng Huadong	Director of subsidiary	1.58	0.0144%	0.0002%
56	Li Jixuan	Director of subsidiary	4.53	0.0412%	0.0004%
57	Guo Jia	Director of subsidiary	4.53	0.0412%	0.0004%
58	Jiang Qionghui	Director of subsidiary	8.98	0.0816%	0.0009%
59	Zhang Junying	Director of subsidiary	6.47	0.0588%	0.0006%
60	Zhou Chao	Director of subsidiary	8.08	0.0735%	0.0008%
61	Wu Weiling	Director of subsidiary	4.53	0.0412%	0.0004%
62	Zhu Gang	Director of subsidiary	8.98	0.0816%	0.0009%
63	Huang Kan	Senior management and acting general manager of subsidiary	8.08	0.0735%	0.0008%
64	Zheng Xin	Senior management of subsidiary and proposed general manager of subsidiary	8.98	0.0816%	0.0009%
Other personnel (not exceeding 3,136 persons)			10,054.73	91.40%	0.98%
Total (not exceeding 3,200 persons)			11,000.00	100%	1.07%

Notes:

- 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 Latest Practicable Date. Among them, the number of Share Options and Restricted Shares to be granted shall not exceed 110,000,000 Shares respectively, representing approximately 1.07% of the total share capital of the Company as at the Latest Practicable Date respectively. In compliance with the requirements under the Listing Rules, 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.

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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.
3. Participants no. 1-64 are connected persons of the Company. Save as disclosed herein, all other Participants being grantees of Restricted Shares are independent third parties, i.e. not connected persons of the Company.

(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 conditions of the grant are satisfied. 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.

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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%

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For Restricted Shares that have not applied for unlocking or cannot apply 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

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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 Share 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.

Details of the Proposed Grant are set out in Appendix I to this circular.

IV. FAIR VALUE OF 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).

V. 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,

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logistics services, automobile disassembling and automobile credit, insurance, insurance brokerage services and equity interest investment. The ultimate beneficial owner of the Group is the Municipal SASAC.

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.

VI. IMPLICATIONS UNDER LISTING RULES

The A Share Option Incentive Scheme

The Share Options Incentive Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules.

Note 1 to Rule 17.03(9) of the Hong Kong Listing Rules

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 the Announcement, which is RMB9.91;
- (2) the average trading price of the A Shares for one of the periods of 20 trading days, 60 trading days or 120 trading days preceding the date of the Announcement, which is RMB10.34, RMB10.19 and RMB9.98 respectively.

According to the requirements of note 1 to Rule 17.03(9) of the Listing Rules, the exercise price shall be at least the higher of the following: (i) the closing price of the securities as quoted in the daily quotations sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the securities as quoted in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant.

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However, since, among others, the Share Options proposed to be granted involve A Shares only, and the determination of the Exercise Price is in accordance with relevant laws and regulations of the PRC, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with note 1 to Rule 17.03(9) of the Listing Rules. For details of the determination of the Exercise Price under the Incentive Scheme, please refer to the Appendix I to this circular.

Rule 17.03(13) of the Listing Rules

According to Rule 17.03(13) of the Hong Kong Listing Rules, the scheme document must include a provision for adjustment of the exercise price or the number of securities subject to options already granted and to the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital.

In addition to the events where adjustment to the Exercise Price is required under Rule 17.03(13), the Incentive Scheme also provides for the adjustment to the Exercise Price in the event of distribution of dividend under the Incentive Scheme (the “**Adjustment for Dividend Distribution**”).

Since, among others, the Share Options proposed to be granted involve A Shares only, and the Adjustment for Dividend Distribution is subject to and in accordance with relevant laws and regulations of the PRC, including the Work Guidance, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 17.03(13) of the Listing Rules. For details of the adjustment of the Exercise Price under the Incentive Scheme, please refer to the Appendix I to this circular.

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 Option Incentive Scheme is exempted from reporting, announcement and independent Shareholder’s approval requirement.

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 has been 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, the letter of advice of which is set out on pages 28 to 29 of this circular. Gram Capital Limited has been 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, the letter of advice of which is set out on pages 30 to 41 of this circular.

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VII. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 21 October 2020 in relation to, among other things, the proposed amendments to the Articles of Association.

Based on the “Guiding Opinions on the Pilot Work of Professional Managers in Municipal-managed Enterprises” (Sui Guo Zi Dang [2019] No. 111) (《關於在市管企業開展職業經理人試點工作的指導意見》(穗國資黨[2019]111號), “Notice of the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People’s Government in Commencing Compliance Management System to Construct Pilot Work in Supervised Enterprises” (《廣州市國資委關於在監管企業開展合規管理體系建設試點工作的通知》), “Pilot Work Plan for Commencing Compliance Management System of the Guangzhou Automobile Group Company Limited” (《廣州汽車集團股份有限公司關於開展合規管理體系建設的試點工作方案》) and the actual situation of the Company, the Company proposes to make corresponding amendments to the Articles of Association. The proposed amendments to the Articles of Association have been considered and approved by the Board on 21 October 2020, and are subject to the approval of the Shareholders at the EGM by way of a special resolution.

Details of the amendments to the Articles of Association are set out in Appendix IV to this circular.

VIII. EGM, A SHAREHOLDERS’ CLASS MEETING AND H SHAREHOLDERS’ CLASS MEETING

It should be noted that a form for the solicitation for independent non-executive Directors in accordance with the relevant provisions of the Management Measures to seek Shareholders to vote in relation to relevant resolutions on the (i) Incentive Scheme; (ii) Appraisal Management Measures; and (iii) the grant of mandate to the Board to deal with related matters at the EGM, A Shareholders’ Class Meeting and H Shareholders’ Class Meeting has been issued. If you would like to appoint Mr. Song Tiebo as your representative to vote on the relevant resolutions related to this Incentive Scheme and related matters at the EGM and/or H Shareholders’ Class Meeting on your behalf, please fill in Mr. Song Tiebo as proxy for all the special resolutions in the “Form of proxy For the Solicitation of Voting Rights by Independent Directors Applicable at the EGM” and the “Form of proxy For the Solicitation of Voting Rights by Independent Directors Applicable at the 2020 H Shareholders’ Class Meeting”, which were published on the website of the Hong Kong Stock Exchange on 21 October 2020. For details of procedures and steps of solicitation of voting rights and the voting, please refer to the overseas regulatory announcement dated 21 October 2020 published by the Company in relation to the report of the solicitation of voting rights by the independent non-executive Director. On the contrary, if you wish to appoint any person other than Mr. Song Tiebo as your proxy to vote on the relevant resolutions related to the Incentive Scheme and related matters at the EGM and/or H Shareholders’ Class Meeting, you do not need to pay attention to the report of the solicitation of voting rights by the independent non-executive Director above, while you should complete and return the form of proxy.

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The EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting of the Company will be held at Conference Room, 32/F, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC at 2:00 p.m. on Friday, 13 November 2020. The notices convening the EGM and H Shareholders' Class Meeting and forms of proxy were attached to this circular and the relevant notices and forms of proxy were also published on the website of the Stock Exchange. Any Shareholder(s) entitled to attend and vote at the EGM or the H Shareholders' Class Meeting are entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder of the Company.

If you intend to appoint proxies of H Shares to attend the EGM and the H Shareholders' Class Meeting, you must follow the instructions printed on the forms of proxy dispatched to you on 22 October 2020, and return them not later than 24 hours before the holding of the EGM or the H Shareholders' Class Meeting or any adjourned meeting(s) (as the case may be). The holders of H Shares should return the forms of proxy to the Company's H Share Registrar, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM and the H Shareholders' Class Meeting should you so wish.

As at the Latest Practicable Date, to the best of the knowledge of the Directors after making all reasonable enquiries, except Mr. Feng Xingya holding 731,533 A Shares of the Company (accounting for approximately 0.0071% of the total issued share capital of the Company as at the Latest Practicable Date), Mr. Wu Song holding 534,300 A Shares of the Company (accounting for approximately 0.0052% of the total issued share capital of the Company as at the Latest Practicable Date), Mr. Chen Maoshan holding 537,368 A Shares of the Company (accounting for approximately 0.0052% of the Company's total issued share capital as at the Latest Practicable Date) and 111,274 H shares (accounting for approximately 0.0011% of the total issued share capital of the Company as at the Latest Practicable Date), Mr. Li Shao is deemed to hold 534,267 A Shares of the Company (accounting for approximately 0.0052% of the total issued share capital of the Company as at the Latest Practicable Date), Ms. Wang Dan is deemed to hold 693,668 A Shares of the Company (accounting for approximately 0.0068% of the total issued share capital of the Company as at the Latest Practicable Date), Mr. Chen Hanjun holding 105,220 A Shares of the Company (accounting for approximately 0.0010% of the total issued share capital of the Company as at the Latest Practicable Date), Ms. Sui Li holding 80,353 A Shares of the Company (accounting for approximately 0.0008% of the total issued share capital of the Company as at the Latest Practicable Date) and other Participants under the Proposed Grant holding Shares (collectively, the "**Abstaining Shareholders**") and their respective associates will have significant interests in the resolutions to be proposed at the EGM, the H Shareholders' Class Meeting and the A Shareholders' Class Meeting regarding the Incentive Scheme, Appraisal Management Measures, the Proposed Grant and the grant of mandate to the Board to deal with related matters. Therefore, they have to abstain from voting on relevant resolutions proposed at the EGM, H Shareholders' Class Meeting and the A Shareholders' Class Meeting, no other Shareholders have to abstain from voting on relevant resolutions to be proposed at the EGM, the H Shareholders' Class Meeting and the A Shareholders' Class Meeting. As far as the Company was aware of, having made all reasonable enquiries, as at the Latest Practicable Date:

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- (a) the Abstaining Shareholders and their respective associates controlled or were entitled to exercise control over the voting right in respect of their respective Shares;
- (b)
 - (i) there were no voting trusts or other agreements or arrangements or understanding (other than an outright sale) entered into by or binding upon any of the Abstaining Shareholdings or their respective associates;
 - (ii) there were no obligations or entitlements of the Abstaining Shareholders or their respective associates, whereby they had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of their respective Shares to a third party, either generally or on a case-by-case basis; and
- (c) there is no discrepancy between the beneficial shareholding interest of the Abstaining Shareholders or their respective associates in the Company as disclosed in this circular and the number of Shares in respect of which they will control or will be entitled to exercise control over the voting rights at the EGM and the Class Meetings where relevant resolutions will be proposed to approve, among other things, the Incentive Scheme, the Appraisal Management Measures, the Proposed Grant and the grant of mandate to the Board to deal with related matters.

IX. CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

The register of members of the Company will be closed from Monday, 9 November 2020 to Friday, 13 November 2020 (both days inclusive), during which no transfer of H Shares will be effected so as to ascertain the H Shareholders' entitlement to attend and vote at the EGM and H Shareholders' Class Meeting. In order to be eligible to attend and vote at the EGM and H Shareholders' Class Meeting, all relevant completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m. on Friday, 6 November 2020. H Shareholders or their agents whose names appear on the register of members of the H Shares at the close of business on 6 November 2020 are entitled to attend at the EGM and the H Shareholders' Class Meeting by presenting their identity documents.

X. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Independent Financial Adviser, respectively, which set out their recommendations in respect of the Proposed Grant of Restricted Shares to the connected person(s) of the Company and the principal factors considered by them in arriving at their recommendations.

The Directors (including the independent non-executive Directors) consider that the Incentive Scheme and Appraisal Management Measures as well as the terms of the Proposed Grant is on normal commercial terms and in the ordinary and usual course of the business of the Company, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the relevant resolutions to be proposed at the EGM and the H Shareholders' Class Meeting. The list of Participants for the Proposed Grant has been considered and approved by the Board on 24 September 2020.

As the Participants for the Proposed Grant under the Incentive Scheme, the Directors, namely Mr. Feng Xingya and Mr. Chen Maoshan, are considered as having material interests of the Incentive Scheme, and accordingly each of them has abstained from voting on the resolution at the relevant Board meetings. To avoid any conflict of interest, Mr. Feng Xingya and Mr. Chen Maoshan will abstain from voting on any resolutions in relation to any matters relating to the Incentive Scheme in the future. Besides, Mr. Feng Xingya and Mr. Chen Maoshan do not take part in the design and management of the Incentive Scheme, and do not have any adverse effect on the formulation and implementation of the scheme.

XI. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all votes at the EGM and the H Shareholders' Class Meeting will be taken by poll. The Company will announce the results of the poll after the EGM and the H Shareholders' Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE 2020 A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME
(2) CONNECTED TRANSACTION
RELATING TO PROPOSED GRANT UNDER
THE A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(4) NOTICE OF 2020 SECOND EXTRAORDINARY GENERAL MEETING
(5) NOTICE OF 2020 FIRST CLASS MEETING
FOR HOLDERS OF H SHARES**

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders in accordance with the Listing Rules as to our opinion on, the terms of the Incentive Scheme and the Proposed Grant, details of which are set out in the circular issued by the Company to the Shareholders dated 22 October 2020 (the “Circular”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As Participants of the Proposed Grant under the Incentive Scheme include Directors and directors and supervisors of significant subsidiaries of the Company, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Proposed Grant of Restricted Shares to such Participants contemplated under the Incentive Scheme will constitute non-exempt connected transactions of the Company which are subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

We wish to draw the attention of the Independent Shareholders to the letter from the Board and the letter of advice from Gram Capital, which are set out on pages 7 to 27 and pages 30 to 41 of the Circular.

Having taken into account the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we concur with the view of the Independent Financial Adviser and is of the view that the Proposed Grant of Restricted Shares to Participants who are Directors and other connected persons of the Company in

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

accordance with the terms of the Incentive Scheme are fair and reasonable, are conducted in the ordinary and usual course of business of the Group on normal or better commercial terms and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM and the H Shareholders' Meeting to approve the adoption of the Incentive Scheme involving the Proposed Grant of Share Options and Restricted Shares to the Participants.

Yours faithfully,
Independent Board Committee of
Guangzhou Automobile Group Co., Ltd.
Independent Non-executive Directors
Mr. Zhao Fuquan Mr. Xiao Shengfang
Mr. Wong Hakkun Mr. Song Tiebo

22 October 2020

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

22 October 2020

*To: The independent board committee and the independent shareholders
of Guangzhou Automobile Group Co., Ltd.*

Dear Sir/Madam,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Restricted Shares to connected persons of the Company under the Restricted Share Incentive Scheme (the “**Connected Grant**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 October 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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. The announcement of the Incentive Scheme was published on the website of Shanghai Stock Exchange on 25 September 2020 (the “**Announcement Date**”) and website of Hong Kong Stock Exchange on 24 September 2020.

With reference to the Board Letter, 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 Latest Practicable Date. Among them, 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 as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, among all the Restricted Shares (110,000,000 shares in maximum), not more than 9,452,700 Restricted Shares will be granted to 64 connected persons of the Company (the “**Connected Participants**”).

With reference to the Board Letter, the Connected Grant constitutes a non-exempt connected transaction of the Company, which is subject to reporting, announcement and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zhao Fuquan, Mr. Xiao Shengfang, Mr. Wong Hakkun and Mr. Song Tiebo (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grant at the EGM and H Shareholders’ Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Incentive Scheme. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Connected Participants or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the proposed adoption of the Incentive Scheme. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

Principal factors and reasons considered

In arriving at our opinion in respect of the Connected Grant, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Connected Grant

Information on the Group

With reference to the Board Letter, 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 Municipal SASAC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the key consolidated financial information of the Group for six months ended 30 June 2020 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 and the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report") respectively:

	For the six months ended 30 June 2020 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2019 <i>RMB'000</i> (audited)	For the year ended 31 December 2018 <i>RMB'000</i> (audited)	Change from 2018 to 2019 %
Revenue	25,641,584	59,704,322	72,379,779	(17.51)
Profit attributable to owners of the Company	<u>2,317,770</u>	<u>6,616,265</u>	<u>10,899,603</u>	<u>(39.30)</u>

As depicted by the above table, the Group recorded revenue of approximately RMB59.704 billion for the year ended 31 December 2019 ("FY2019"), representing a decrease of approximately 17.51% as compared to that for the year ended 31 December 2018 ("FY2018"). With reference to the 2019 Annual Report, such decrease was mainly due to the sales volume of the Group's vehicles declined as a result of the continuous negative growth in production and sales volume of the domestic automobile industry and the impact of changes in domestic policies. In addition, the Group's profit attributable to owners of the Company for FY2019 decreased by approximately 39.30% as compared to that for FY2018.

Information on the Connected Participants

With reference to the Incentive Scheme, Participants of the Incentive Scheme (including the Connected Participants) 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.

The Participants under the Incentive Scheme (including the Connected Participants) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors advised us that after finalising the Participants (i.e. (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 Company further identified if such Participants are connected persons of the Company.

Details of the Connected Participants are set out under the sub-section headed "(II) Number and Allocation of the Restricted Shares" under the section headed "III. PROPOSED GRANT" of the Board Letter.

Reasons for and benefits of the Connected Grant

With reference to the Board Letter, 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.

Based on our independent research, we noted that there were various companies (which are listed on the mainboard of Shanghai Stock Exchange) proposed to grant restricted shares to their directors/senior/middle managements and/or core personnel during the recent years (for instance, there were 12 transactions in relation to the grant of restricted shares by companies listed on the mainboard of Shanghai Stock Exchange as published during the period from 25 August 2020 to 24 September 2020, being one month immediately before the Announcement Date). Accordingly, we consider that it is a common practice for companies listed on the mainboard of Shanghai Stock Exchange to adopt restricted share incentive scheme for their personnel and employees.

Having considered the above reasons and that (i) the Connected Grant can motivate the Connected Participants to make contributions to the Group; (ii) adopting restricted share incentive scheme for personnel and employees is a common practice for companies listed on the mainboard of Shanghai Stock Exchange; and (iii) there will not be any actual cash paid by the Group to the Connected Participants under the Connected Grant, we concur with the Directors that the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. *Principal terms of the Connected Grant*

Set out below are the principal terms of the Connected Grant (with Grant Price of RMB4.99 per Restricted Share). Details of the terms of the Connected Grant are set out under the sub-section headed “The Restricted Shares Incentive Scheme” under the section headed “III. PROPOSED GRANT” of the Board Letter and section headed “The Restricted Share Incentive Scheme” in Appendix I to the Circular.

Number of Restricted Shares under the Connected Grant

The maximum number of Restricted Shares to be granted to each of Connected Participants ranged from approximately 0.0002% to 0.0028% of the total share capital of the Company as at the Latest Practicable Date. Details of the maximum number of Restricted Shares to be granted to the Connected Participants are set out under the section headed “Number and Allocation of the Restricted Shares” of the Board Letter.

As confirmed by the Directors, when determining the above-mentioned maximum numbers of Restricted Shares to be granted, the Company classified grantees as (i) the most senior level grantee among the Participants (the “**Most Senior Level Grantee**”) (i.e. the participant who is the Director and general manger); and (ii) other levels.

Method I: for the Most Senior Level Grantee, the Company determined maximum number of Restricted Shares to be granted with reference to, among other things, (i) the number of Share Options and the number of Restricted Shares granted to the Participants under the Incentive Scheme to be allocated at a ratio of 1:1; (ii) the requirements of the Working Guide in respect of maximum number of restricted shares (i.e. the maximum amount of expected return from the equity incentives for the Most Senior Level Grantee being not more than 40% of his total remuneration level (including the expected return from the equity incentives)); (iii) the Most Senior Level Grantee’s total remuneration level during financial year of 2017 to 2019; (iv) the expected fair value of the Share Options and Restricted Shares.

The Directors further advised us that the basis for determination of maximum amount of expected return from the Restricted Shares was in compliance with relevant regulations. According to the Trial Measures and Working Guide, among other things, the expected return level of individual equity incentives for senior management should be controlled within 40% of their total remuneration level (including expected return of equity incentives) during the validity period of such equity incentive plan.

Method II: for other levels (including the other Connected Participants), the Company determined maximum number of Restricted Shares to be granted with reference to maximum number Restricted Shares to be granted to the Most Senior Level Grantee, and further adjusted based on (i) the respective Participant’s positions; (ii) the respective Participant’s performance of company which he/she is working for; (iii) the respective Participant’s years of services; and (iv) the respective Participant’s capacities. The Company applied the above assessment coefficients to calculate the maximum numbers of Restricted Shares to be granted to all the Participants (other than the Most Senior Level Grantee).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence purpose, we obtained assessment records of the Connected Participants. After reviewing the assessment records, we noted that (i) the assessment records listed out all 64 Connected Participants with their positions in the Group; (ii) calculation for the maximum amount of Restricted Shares to be granted to the Most Senior Level Grantee was consistent with the Method I; and (iii) calculations for the maximum amount of Restricted Shares to be granted to the Connected Participants (other than the Most Senior Level Grantee) were consistent with the Method II.

To further assess the fairness and reasonableness of the maximum number of Restricted Shares to be granted to the Connected Participants, we identified restricted A shares incentive scheme proposals first announced by companies listed on the Shanghai Stock Exchange from 25 August 2020 to 24 September 2020, being one month immediately before the Announcement Date. To the best of our knowledge, we found 12 scheme proposals (the “**Comparables**”), which were exhaustive. The table below sets out the summary of the Comparables:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined refer to a percentage of the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average price of the subject A shares for one of the periods of last 20/60/120 trading days preceding the date of announcement of the incentive scheme? (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the grant has been registered	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants, performance and/or financial performance of the listed companies	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed company as at the date of respective scheme proposals
25 August 2020	怡球金屬資源再生(中國)股份有限公司 (Yechiu Metal Recycling China Ltd) (SH601388)	Yes. 50%	Yes	12 months 24 months 36 months	Yes	0.006% to 0.012%
26 August 2020	浙江九洲藥業股份有限公司 (Zhejiang Jiuzhou Pharmaceutical Co Ltd) (SH603456)	Yes. 50%	Yes	12 months 24 months 36 months	Yes	0.01% to 0.02%
28 August 2020	浙江華鐵應急設備科技股份有限公司 (Zhejiang Huatie Emergency Equipment Science and Technology Co Ltd) (SH603300)	Yes. 50%	Yes	12 months 24 months	Yes	Nil
28 August 2020	上海金橋信息股份有限公司 (Shanghai Golden Bridge InfoTech Co Ltd) (SH603918)	Yes. 50%	Yes	12 months 24 months 36 months	Yes	0.02% to 0.04%
29 August 2020	浙江大元泵業股份有限公司 (Zhejiang Dayuan Pumps Industrial Co Ltd) (SH603757)	Yes. 50%	Yes	12 months 24 months 36 months	Yes	0.06%
1 September 2020	山東惠發食品股份有限公司 (Shandong Huifa Foodstuff Co Ltd) (SH603536)	Yes. 50%	Yes	12 months 24 months	Yes	0.03%
7 September 2020	上海韋爾半導體股份有限公司 (Will Semiconductor Ltd) (SH603501)	Yes. 60%	Yes	12 months 24 months 36 months	Yes	0.01%
14 September 2020	景津環保股份有限公司 (Jingjin Environmental Protection Co Ltd) (SH603279)	Yes. 50%	Yes	12 months 24 months	Yes	0.04% to 0.06%
18 September 2020	中國建築股份有限公司 (China State Construction Engineering Corp Ltd) (SH601668)	Yes. 60%	Yes	24 months 36 months 48 months	Yes	Information not available

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined refer to a percentage of the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average price of the subject A shares for one of the periods of last 20/60/120 trading days preceding the date of announcement of the incentive scheme? (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the grant has been registered	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants, performance and/or financial performance of the listed companies	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed company as at the date of respective scheme proposals
19 September 2020	平頂山天安煤業股份有限公司 (Pingdingshan Tianan Coal Mining Co Ltd) (SH601666)	Yes. 50%	Yes	12 months 24 months 36 months	Yes	0.0059%
22 September 2020	廈門建發股份有限公司 (Xiamen C & D Inc) (SH600153)	Yes. 60%	Yes	24 months 36 months 48 months	Yes	0.005% to 0.007%
22 September 2020	江西聯創光電科技股份有限公司 (Jiangxi Lianchuang Optoelectronic Science & Technology Co Ltd) (SH600363)	Yes. 50%	Yes	12 months 24 months 36 months	Yes	0.86% and 0.9%

Sources: <http://www.cninfo.com.cn/>

As depicted by the above table, the percentage of the restricted A shares to be granted to individual director/senior management of the Comparables (save for those did not propose to grant to individual director/senior management) to the total share capital of the Comparables ranged from 0.005% to 0.9% (the “**Comparable Percentage Range**”). The maximum number of Restricted Shares to be granted to each of Connected Participants ranged from approximately 0.0002% to 0.0028% of the total share capital of the Company as at the Latest Practicable Date was below the Comparable Percentage Range.

Having considered the above, we are of the view that the maximum numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Grant Price

With reference to the Incentive Scheme, 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 Shares newly issued to the Participants by the Company at the price of RMB4.99 per share.

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 Announcement Date; and (2) 50% of the average trading price of the A Shares for one of the periods of 20 trading days, 60 trading days or 120 trading days preceding the Announcement Date. For this Restricted Share Incentive Scheme, the Directors selected “average trading price for 120 trading days preceding the Announcement Date” as one of the criteria for the determination of Grant Price. Therefore the Grant Price of the Restricted Shares shall not be lower than the nominal amount of the Shares (i.e. RMB1.00) and shall be the higher of the following (i) RMB4.955 per Share (i.e. 50% of RMB9.91, being the average trading price of the A Shares on the trading day preceding the Announcement Date); and (ii) RMB4.99 per Share (i.e. 50% of RMB9.98 per Share, being the average trading price of the A Shares for 120 trading days preceding the Announcement Date).

As advised by the Directors, the Grant Price has to comply with the requirements set out under the Administrative Measures promulgated by the CSRC, which requires the issue price of new shares (i) not to be set at a price lower than its nominal value; and (ii) principally not to be set at a price lower than the highest of the (a) 50% of the average trading price on the trading day preceding the date of announcement of the incentive scheme; and (b) 50% of the average price for one of the periods of last 20, 60 or 120 trading days preceding the date of announcement of the A shares incentive scheme. If a listed company adopts other approaches to determine grant price of restricted A shares, detailed basis of determination of such price should be disclosed in the A shares incentive scheme. As demonstrated above, the Grant Price complies with the Administrative Measures.

As demonstrated in the above table, the majority of the Comparables’ grant price were determined based on 50% of the benchmark price (being the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average trading price of the subject A shares for one of the periods of last 20 trading days, 60 trading days, or 120 trading days preceding the date of announcement of the incentive scheme).

Given that the above and that the Grant Price complied with the Administrative Measures and in line with the grant price of the majority of the Comparables, we are of the view that the Grant Price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Validity Period and Unlocking Conditions

With reference to the Board Letter, 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.

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.

For Restricted Shares that have not applied for unlocking or cannot apply 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.

Certain conditions prescribed under the Incentive Scheme have to be satisfied to unlock the Restricted Shares granted to the Participants. Details of the Unlocking Conditions (including the performance indicators) are set out under Appendix I to the Circular.

We are of the view that the Unlocking Conditions will strengthen the incentive for the Participants (including the Connected Participants) to achieve the performance targets, which will contribute to the growth and development of the Group.

In addition, according to our observation on the Comparables, we note that it is a common practice for restricted A shares incentive schemes to have unlocking conditions which are based on, amongst others, the participants' performance and/or financial performance of the listed companies.

Adjustments

Number of Restricted Shares and the Grant Price are subject to adjustments according to various situations (e.g. capitalisation issue, bonus issue, share subdivision, rights issue or share consolidation, etc.). For details, please refer to section headed "Methods and Procedures for Adjustment of the Restricted Share Incentive Scheme" as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contained in Appendix I to the Circular. We noted that the methods of adjusting the number of Restricted Shares and the Grant Price (including the adjustment of Grant Price as the result of dividend distribution) are in line with those of the Comparables.

Having considered that the methods for adjustment (including the adjustment of Grant Price as the result of dividend distribution) (i) will be applied to all Participants (including Connected Participants); and (ii) are in line with the methods for adjustment (including the adjustment of Grant Price as the result of dividend distribution) of the Comparables, we do not doubt the fairness and reasonableness of the methods of adjusting the number of Restricted Shares and the Grant Price (including the adjustment of Grant Price as the result of dividend distribution).

Having considered the above and that, save as number of Restricted Shares to be granted (may be different), other terms of the Connected Grant (i.e. repurchase and cancellation of Restricted Shares, methods and procedures for adjustment of the Restricted Share Incentive Scheme, etc.) are the same as those under the Restricted Shares Incentive Scheme (which applied to all Participants), we are of the view that the terms of the Connected Grant are fair and reasonable.

3. *Dilution effect on the shareholding interests of the existing shareholders of the Company*

The Connected Grant involves not more than 9,452,700 Restricted Shares, representing approximately not more than 0.0923% of the total share capital of the Company as at the Latest Practicable Date. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders will be immaterial.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) the Connected Grant is conducted in the ordinary and usual course of business of the Group and it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM and the H Shareholders' Class Meeting to approve the Connected Grant, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

The principal content of the proposed Incentive Scheme and the Proposed Grant are as follows:

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 bind 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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date.

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 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 Latest Practicable Date. Among them, the number of Share Options and Restricted Shares to be granted shall not exceed 110,000,000 Shares respectively, representing approximately 1.07% of the total share capital of the Company as at the Latest Practicable Date respectively. In compliance with the requirements under the Listing Rules, 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 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 Shares issued and to be issued upon exercise of the Share Options granted to each Participant under the Incentive Scheme (including both exercised and outstanding Share Options) in any 12-month period cannot exceed 1% of the total share capital of the Company.

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 Latest Practicable Date 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 Latest Practicable Date 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.

APPENDIX I 2020 A SHARE OPTION AND RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)

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	Maximum number of options (0'000 Shares)	Proportion in the maximum number 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/company secretary	24.5	0.2227%	0.0024%
10	Yu Jun	Director of subsidiary	24.5	0.2227%	0.0024%
11	Zheng Heng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
12	Wen Dali	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
13	Zhang Yuesai	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
14	Zhang Zongsheng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
15	Li Quming	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
16	Chen Xiushen	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
17	Lai Boyi	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
18	Li Jin	Director of subsidiary	24.5	0.2227%	0.0024%
19	Hu Su	Director of subsidiary	24.5	0.2227%	0.0024%
20	Liu Wei	Director of subsidiary	24.5	0.2227%	0.0024%
21	Wu Jian	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
22	Gu Huinan	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
23	Xia Xianqing	Director of subsidiary	24.5	0.2227%	0.0024%
24	Yan Jianming	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
25	Gong Hanqing	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
26	Xu Yulin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
27	Yuan Feng	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
28	Li Jianying	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
29	Zeng Hebin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
30	Zheng Chao	Director and supervisor of subsidiary	12.83	0.1166%	0.0013%
31	Yuan Xiaohua	Director of subsidiary	11.55	0.1050%	0.0011%
32	Li Ming	Director of subsidiary	10.26	0.0933%	0.0010%
33	Zheng Qin	Director of subsidiary	12.83	0.1166%	0.0013%
34	Zhang Zhiyong	Director of subsidiary	11.55	0.1050%	0.0011%
35	He Jinpei	Director of subsidiary	12.83	0.1166%	0.0013%
36	Xu Xiao	Director of subsidiary	11.55	0.1050%	0.0011%
37	Dai Binzheng	Director of subsidiary	8.08	0.0735%	0.0008%
38	Huang Yongqiang	Director of subsidiary	11.55	0.1050%	0.0011%
39	Liu Zongxin	Director of subsidiary	11.55	0.1050%	0.0011%

APPENDIX I 2020 A SHARE OPTION AND RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)

No.	Name	Position	Maximum number of options (0'000 Shares)	Proportion in the maximum number of Share Options to be granted	Proportion in the total share capital
40	Gao Yongping	Director of subsidiary	8.98	0.0816%	0.0009%
41	Qu Haiwen	Director of subsidiary	8.08	0.0735%	0.0008%
42	Fu Jinming	Director of subsidiary	6.47	0.0588%	0.0006%
43	Cai Jie	Director of subsidiary	12.83	0.1166%	0.0013%
44	Li Hui	Director of subsidiary	8.98	0.0816%	0.0009%
45	Huang Yongsheng	Director of subsidiary	11.55	0.1050%	0.0011%
46	Xi Zhongmin	Director of subsidiary	11.55	0.1050%	0.0011%
47	Xiang Jing	Director of subsidiary	6.47	0.0588%	0.0006%
48	Zu Wei	Director of subsidiary	6.47	0.0588%	0.0006%
49	Li Canhui	Director of subsidiary	11.55	0.1050%	0.0011%
50	Wu Zeyun	Director of subsidiary	8.98	0.0816%	0.0009%
51	Chen Yongjun	Director of subsidiary	8.98	0.0816%	0.0009%
52	Huang Zhuo	Director of subsidiary	6.29	0.0572%	0.0006%
53	Zeng Chaoxi	Director of subsidiary	5.66	0.0515%	0.0006%
54	Liu Yuanming	Director of subsidiary	4.53	0.0412%	0.0004%
55	Zeng Huadong	Director of subsidiary	1.58	0.0144%	0.0002%
56	Li Jixuan	Director of subsidiary	4.53	0.0412%	0.0004%
57	Guo Jia	Director of subsidiary	4.53	0.0412%	0.0004%
58	Jiang Qionghui	Director of subsidiary	8.98	0.0816%	0.0009%
59	Zhang Junying	Director of subsidiary	6.47	0.0588%	0.0006%
60	Zhou Chao	Director of subsidiary	8.08	0.0735%	0.0008%
61	Wu Weiling	Director of subsidiary	4.53	0.0412%	0.0004%
62	Zhu Gang	Director of subsidiary	8.98	0.0816%	0.0009%
63	Huang Kan	Senior management and acting general manager of subsidiary	8.08	0.0735%	0.0008%
64	Zheng Xin	Senior management of subsidiary and proposed general manager of subsidiary	8.98	0.0816%	0.0009%
Other personnel (not exceeding 3,136 persons)			10,054.73	91.40%	0.98%
Total (not exceeding 3,200 persons)			11,000.00	100%	1.07%

Notes:

1. 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 Latest Practicable Date. Among them, the number of Share Options and Restricted Shares to be granted shall not exceed 110,000,000 Shares respectively, representing approximately 1.07% of the total share capital of the Company as at the Latest Practicable Date respectively. In compliance with the requirements under the Listing Rules, 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.

3. Participants no.1-64 are connected persons of the Company. Save as disclosed herein, all other Participants being grantees of Share Options are independent third parties, i.e. not connected persons of the Company.

(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 conditions of the grant are satisfied. 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 material 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 the Announcement which is RMB9.91;
- (2) the average trading price of the A Shares for 20 trading days, 60 trading days or 120 trading days preceding the date of the Announcement which is RMB10.34, RMB10.19 and RMB9.98 respectively.

(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 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 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 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 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 shall satisfy 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 procedures 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 and its delegated agencies with administrative penalties or measures prohibiting market access 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>

Exercise Period Performance appraisal targets

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 net of 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 are categorised into two levels, which are 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 advisers 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 them 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 condition 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 Share 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 Latest Practicable Date, 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.

APPENDIX I 2020 A SHARE OPTION AND RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)

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

No.	Name	Position	Maximum number of Restricted Shares (0'000 shares)	Proportion in the maximum number of Restricted Shares 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/company secretary	24.5	0.2227%	0.0024%
10	Yu Jun	Director of subsidiary	24.5	0.2227%	0.0024%
11	Zheng Heng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
12	Wen Dali	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
13	Zhang Yuesai	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
14	Zhang Zongsheng	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
15	Li Quming	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
16	Chen Xiushen	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
17	Lai Boyi	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
18	Li Jin	Director of subsidiary	24.5	0.2227%	0.0024%
19	Hu Su	Director of subsidiary	24.5	0.2227%	0.0024%
20	Liu Wei	Director of subsidiary	24.5	0.2227%	0.0024%
21	Wu Jian	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
22	Gu Huinan	Director and senior management of subsidiary	24.5	0.2227%	0.0024%
23	Xia Xianqing	Director of subsidiary	24.5	0.2227%	0.0024%
24	Yan Jianming	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
25	Gong Hanqing	Director and senior management of subsidiary	12.83	0.1166%	0.0013%
26	Xu Yulin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
27	Yuan Feng	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
28	Li Jianying	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
29	Zeng Hebin	Director and senior management of subsidiary	8.98	0.0816%	0.0009%
30	Zheng Chao	Director and supervisor of subsidiary	12.83	0.1166%	0.0013%
31	Yuan Xiaohua	Director of subsidiary	11.55	0.1050%	0.0011%
32	Li Ming	Director of subsidiary	10.26	0.0933%	0.0010%
33	Zheng Qin	Director of subsidiary	12.83	0.1166%	0.0013%
34	Zhang Zhiyong	Director of subsidiary	11.55	0.1050%	0.0011%
35	He Jinpei	Director of subsidiary	12.83	0.1166%	0.0013%
36	Xu Xiao	Director of subsidiary	11.55	0.1050%	0.0011%
37	Dai Binzheng	Director of subsidiary	8.08	0.0735%	0.0008%
38	Huang Yongqiang	Director of subsidiary	11.55	0.1050%	0.0011%

APPENDIX I 2020 A SHARE OPTION AND RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)

No.	Name	Position	Maximum number of Restricted Shares (0'000 shares)	Proportion in the maximum number of Restricted Shares to be granted	Proportion in the total share capital
39	Liu Zongxin	Director of subsidiary	11.55	0.1050%	0.0011%
40	Gao Yongping	Director of subsidiary	8.98	0.0816%	0.0009%
41	Qu Haiwen	Director of subsidiary	8.08	0.0735%	0.0008%
42	Fu Jinming	Director of subsidiary	6.47	0.0588%	0.0006%
43	Cai Jie	Director of subsidiary	12.83	0.1166%	0.0013%
44	Li Hui	Director of subsidiary	8.98	0.0816%	0.0009%
45	Huang Yongsheng	Director of subsidiary	11.55	0.1050%	0.0011%
46	Xi Zhongmin	Director of subsidiary	11.55	0.1050%	0.0011%
47	Xiang Jing	Director of subsidiary	6.47	0.0588%	0.0006%
48	Zu Wei	Director of subsidiary	6.47	0.0588%	0.0006%
49	Li Canhui	Director of subsidiary	11.55	0.1050%	0.0011%
50	Wu Zeyun	Director of subsidiary	8.98	0.0816%	0.0009%
51	Chen Yongjun	Director of subsidiary	8.98	0.0816%	0.0009%
52	Huang Zhuo	Director of subsidiary	6.29	0.0572%	0.0006%
53	Zeng Chaoxi	Director of subsidiary	5.66	0.0515%	0.0006%
54	Liu Yuanming	Director of subsidiary	4.53	0.0412%	0.0004%
55	Zeng Huadong	Director of subsidiary	1.58	0.0144%	0.0002%
56	Li Jixuan	Director of subsidiary	4.53	0.0412%	0.0004%
57	Guo Jia	Director of subsidiary	4.53	0.0412%	0.0004%
58	Jiang Qionghui	Director of subsidiary	8.98	0.0816%	0.0009%
59	Zhang Junying	Director of subsidiary	6.47	0.0588%	0.0006%
60	Zhou Chao	Director of subsidiary	8.08	0.0735%	0.0008%
61	Wu Weiling	Director of subsidiary	4.53	0.0412%	0.0004%
62	Zhu Gang	Director of subsidiary	8.98	0.0816%	0.0009%
63	Huang Kan	Senior management and acting general manager of subsidiary	8.08	0.0735%	0.0008%
64	Zheng Xin	Senior management of subsidiary and proposed general manager of subsidiary	8.98	0.0816%	0.0009%
Other personnel (not exceeding 3,136 persons)			10,054.73	91.40%	0.98%
Total (not exceeding 3,200 persons)			11,000.00	100%	1.07%

Notes:

1. 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 Latest Practicable Date. Among them, the number of Share Options and Restricted Shares to be granted shall not exceed 110,000,000 Shares respectively, representing approximately 1.07% of the total share capital of the Company as at the Latest Practicable Date respectively. In compliance with the requirements under the Listing Rules, 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.

3. Participants no. 1-64 are connected persons of the Company. Save as disclosed herein, all other Participants being grantees of Restricted Shares are independent third parties, i.e. not connected persons of the Company.

(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 apply 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 Share 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 the Announcement which is RMB9.91;
- (2) 50% of the average trading price of the A Shares for one of the periods of 20 trading days, 60 trading days or 120 trading days preceding the date of the Announcement which is RMB10.34, RMB10.19 and RMB9.98 respectively.

(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 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 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 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 shall satisfy 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 procedures 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 and its delegated agencies with administrative penalties or measures prohibiting market access 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>

Unlocking Period	Performance appraisal targets
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 net of 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 the 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 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, 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 Share 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. Law firms shall provide professional advice as to whether the aforementioned adjustment is in compliance with the requirements of 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: 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 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 the Announcement (formal measurement will be conducted at the time of grant). On the 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 expenses of the Incentive Scheme. Such expenses 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 payment expense on the financial results of the Company

The Company estimates that the amortisation of share payment expenses 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 treatments:

- (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, if capitalisation issue, bonus issue, share subdivision, rights issue and share consolidation and other matters occur to 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 or 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 registration 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 making adjustments 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 the price of the 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 on share repurchase to the General Meetings for approval and make an announcement in a timely manner.
- (3) After the repurchase plan has been considered and approved at 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 sufficiently consider public opinions. The Company shall disclose the explanation about 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 the 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 the subscription of the Restricted Shares into the designated account of 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 issue clear opinions. The law firm shall issue legal opinions on whether the Exercise Conditions for Share Options have been satisfied by the Participants.
- (2) Before the Share Options are exercised, the Company shall tender exercise application to the SSE 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 in 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 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 in 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 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 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 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 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. The Company will not grant Share Options to Participants in place of his/her cancelled Share Options.
- (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 Share Incentive Scheme in accordance with 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 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 adhere to professional ethics, and contribute 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 will 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. The Shares allotted upon exercise of the Share Options shall comply with all the terms of the current constitutional document of the Company, and shall be entitled to equal voting right, dividend right, transfer right and other rights in all respects proportionally, including the rights attaching to the Shares issued on the date of issue fully paid by the Participant, and rights arising from liquidation of the Company.
- (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 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 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 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 others 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 material asset losses and other serious adverse consequences to the Company (depending on the Company's assessment results);
 - ⑤ Violation of 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.

**GUANGZHOU AUTOMOBILE GROUP CO., LTD.
APPRAISAL MANAGEMENT MEASURES FOR IMPLEMENTATION OF
THE 2020 A SHARE OPTION AND
RESTRICTED SHARE INCENTIVE SCHEME**

In order to ensure smooth implementation of the 2020 A Shares Share Option and Restricted Share Incentive Scheme of Guangzhou Automobile Group Co., Ltd. (the “Company”), further refine the corporate governance structure of the Company, establish and improve the long-term incentive and restraint mechanism of the Company, motivate the directors, senior management, core management, technical and business backbone personnel of the Company to work honestly and diligently so as to guarantee the steady improvement of the Company’s performance and the realisation of the Company’s development strategy and business objectives, these measures are hereby formulated in accordance with relevant requirements of the PRC and the actual circumstances of the Company.

I. PURPOSE OF APPRAISAL

The purpose of the appraisal is to further refine the corporate governance structure of the Company, establish and improve the incentive and restraint mechanism of the Company, ensure smooth implementation of the Share Incentive Scheme and maximise the benefits of the share incentives so as to ensure the realisation of the Company’s development strategy and operation objectives.

II. PRINCIPLES OF APPRAISAL

The principles of appraisal must be just, open and fair. The appraisal shall be conducted strictly in compliance with these measures and the performance of the appraised targets so as to closely link the Incentive Scheme with the work performance and contribution of the Participants, which in turn help improve the Company’s overall performance and maximise the interests of the Company and all Shareholders.

III. SCOPE OF APPRAISAL

These measures shall apply to all Participants under the 2020 A Share Share Option and Restricted Share Incentive Scheme.

IV. APPRAISAL INSTITUTION

The Remuneration and Assessment Committee of the Board of Directors of the Company shall be responsible for leading and organising the appraisal. Specific appraisal operation plan shall be implemented by the unit in which the Participant’s position belongs. The appraisal results shall be reported to the Remuneration and Assessment Committee of the Board of Directors for consideration.

V. INDICATORS AND STANDARD OF PERFORMANCE APPRAISAL

The exercise/unlocking limit of Share Options and Restricted Shares of a Participant for the current year shall be jointly determined by the appraisal results at the Company's level and the individual's level.

(I) Appraisal requirements of the performance at the Company's level

The performance appraisal target for the Share Options and Restricted Shares to be granted under the Scheme for each year are shown in the following table:

Exercise Period/Unlocking Period	Performance appraisal targets
First Exercise Period/ First Unlocking Period	(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2021 shall be $\geq 3\%$; (2) The return on net assets for 2021 shall be $\geq 4.6\%$; The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average. (3) Revenue from principal businesses for 2021 shall account for $\geq 96\%$ of operating revenue; (4) The Company's cash dividend ratio for 2021 shall be $\geq 30\%$; (5) The Company's R&D investment for 2021 shall account for $\geq 4\%$ of operating revenue;
Second Exercise Period/ Second Unlocking Period	(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2022 shall be $\geq 20\%$; (2) The return on net assets for 2022 shall be $\geq 5.2\%$; The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average. (3) Revenue from principal businesses for 2022 shall account for $\geq 96\%$ of operating revenue; (4) The Company's cash dividend ratio for 2022 shall be $\geq 30\%$; (5) The Company's R&D investment for 2022 shall account for $\geq 4\%$ of operating revenue;
Third Exercise Period/ Third Unlocking Period	(1) On the basis of the net profits for 2019, the growth rate of the net profits for 2023 shall be $\geq 34\%$; (2) The return on net assets for 2023 shall be $\geq 5.5\%$; The above two indicators shall not be lower than the 75th percentile of benchmarking enterprises in the same industry or the industry average. (3) Revenue from principal businesses for 2023 shall account for $\geq 96\%$ of operating revenue; (4) The Company's cash dividend ratio for 2023 shall be $\geq 30\%$; (5) The Company's R&D investment for 2023 shall account for $\geq 4\%$ of operating revenue.

Notes:

- a. The above-mentioned "net profits" represent: 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 events such as additional issuance or rights issue resulting in a change in net assets of the Company, the change in net assets and the corresponding income arising therefrom (if the corresponding income cannot be accurately calculated, it can be calculated by multiplying the actual financing amount net of 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 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.

In accordance with the principle of "comparable market, similar business, stable operation", the Company has 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 business of the benchmarking companies, or extreme or abnormal values with significant deviation in the samples during the validity period of the Scheme, the Board of Directors can exclude or replace the samples according to the actual conditions.

(II) Appraisal requirements of performance at the individual's level

Share Options and Restricted Shares of the current Exercise/Unlocking Period can only be exercised/unlocked on the premise that the Participant satisfies the performance appraisal conditions in the preceding year. The specific exercise/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 of directors. Details are as follows:

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

If the conditions for exercise/unlocking in the current exercise/Unlocking Period have not been fulfilled due to the failure in meeting the performance appraisal targets of the Company or the individual performance appraisal, the corresponding Share Options/Restricted Shares shall not be deferred to the next period for exercise/unlocking, and the current Share Options shall be cancelled by the Company, and the current Restricted Shares shall be repurchased and cancelled by the Company.

VI. PERIOD AND FREQUENCY OF APPRAISAL**1. Period of appraisal**

The accounting year prior to exercise of Share Options/unlocking of Restricted Shares granted to the Participants.

2. Frequency of appraisal

The 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.

VII. PROCEDURES OF APPRAISAL

The Human Resources Department of the unit in which a Participant belongs shall be responsible for the specific implementation of appraisal for such Participant. The appraisal results will be submitted to the Office of the Board of Directors of the Group for summarising, based on which the Office of the Board of Directors will prepare a performance appraisal report and submit it to the Remuneration and Appraisal Committee of the Board of Directors for deliberation.

VIII. MANAGEMENT OF APPRAISAL RESULTS**1. Feedback and complaints on appraisal results**

The appraisee shall have the right to be informed of his appraisal results. The direct supervisor of the employee shall inform the appraisee of his appraisal results within 15 working days from the completion of the appraisal.

In the event that an appraisee has objection to the appraisal results, he can communicate with his corresponding appraisal department to resolve it. If it cannot be resolved by communication, the appraisee can lodge a complaint to the Remuneration and Assessment Committee, which shall conduct verification and determine the final appraisal results within 10 working days.

2. Filing of appraisal results

After the appraisal, appraisal results shall be kept and filed as confidential information.

IX. MISCELLANEOUS

1. The Board of Directors shall be responsible for the formulation, interpretation and amendment of these measures.
2. These measures shall be implemented upon consideration and approval at the general meetings of the Company and upon the Incentive Scheme being effective.

The Board of Directors
Guangzhou Automobile Group Co., Ltd.

Details for the resolution on the proposed grant of mandate to the Board to deal with matters relating to the Incentive Scheme at the EGM and the H Shareholders' Class Meeting are as follows:

To ensure the smooth implementation of the Incentive Scheme, it will be proposed at the EGM and the H Shareholders' Class Meeting to authorize the Board and its authorized person to deal with the matters below with full authority.

- (I) Proposing grant of mandate at the general meeting of the Company to the Board and its authorized person to be responsible for the following matters in relation to the implementation of the Incentive Scheme with full authority:
1. to determine the Grant Date of the Incentive Scheme;
 2. to adjust the number of Share Options and Restricted Shares and underlying shares or the repurchase amount of the Share Options that have not been exercised and Restricted Shares that have not been unlocked in accordance with the methods under the Incentive Scheme in case of capitalization issue, bonus issue, share subdivision or share consolidation, rights issue, and other matters of the Company that will affect the total share capital or the share price of the Company;
 3. to adjust the Exercise Price of Share Option, Grant Price of the Restricted Shares or the repurchase price of the Restricted Shares that have not been unlocked in accordance with the methods under the Incentive Scheme in case of capitalization issue, bonus issue, share subdivision or share consolidation, rights issue, dividend distribution, and other matters of the Company that will affect the total share capital or the share price of the Company;
 4. to grant Share Option and Restricted Shares to the Participants when they meet the conditions and deal with all matters required for the grant, including but not limited to signing of the agreement in relation to share incentive with the Participants and relevant documents, applying to the SSE for the grant and applying to the Depository and Clearing Company in relation to registration and settlement matters, etc.;
 5. to review and confirm the granting qualification, conditions of grant, qualification for exercise of Share Options, qualification for unlocking of Restricted Shares, conditions of Exercise of Share Options, conditions of unlocking of Restricted Shares, number of Share Options exercised and number of Restricted Shares unlocked, and approve the Board to delegate such right to the Remuneration and Assessment Committee of the Board;
 6. to determine whether the Share Options and Restricted Shares held by the Participants can be granted and whether Share Options can be exercised and Restricted Shares can be unlocked;

7. to deal with all matters required for exercise of Share Options and unlocking of Restricted Shares for the Participants, including but not limited to making application to the SSE and making application to Depository and Clearing Company in relation to registration and settlement;
 8. to determine whether to recover the gains of the Participants arising from exercising Share Options and unlocking Restricted Shares and deal with all necessary matters in accordance with the Incentive Scheme;
 9. to implement other matters as required by the Incentive Scheme, including but not limited to adjustments of the Incentive Scheme and related matters, except for the rights to be exclusively exercised by the general meeting as explicitly required under relevant documents.
- (II) Proposing grant of mandate at the general meeting of the Company to the Board to complete procedures with relevant governments departments and authorities in relation to the Incentive Scheme including review, registration, filing, approval and consent, etc.; to sign, execute, amend and complete documents submitted to relevant government departments, authorities, organizations, and individuals; and to carry out all other actions necessary, appropriate, or expedient in relation to the Incentive Scheme, except the rights to be exclusively exercised by the general meeting as explicitly required under relevant documents.
- (III) Proposing approval of the term of the grant of mandate to the Board to be consistent with the Validity Period of the Incentive Plan at the general meeting of the Company.

Regarding the authorization and related matters mentioned above, except for matters that need to be passed by the resolutions of the Board as clearly stipulated by laws, administrative regulations, regulations of the CRSC, normative documents, this Incentive Scheme or the Articles of Association or 2020 A Share Option and Restricted Share Incentive Scheme (Draft), other matters may be exercised directly by the chairman of the Company or an appropriate person authorized by him on behalf of the Board.

The Board of Directors
Guangzhou Automobile Group Co., Ltd.

APPENDIX IV**DETAILS OF THE AMENDMENTS
TO THE ARTICLES OF ASSOCIATION**

Proposed amendments to the Articles of Association are as follows:

Original Articles		Amended Articles	
Chapter	Content	Corresponding Chapter	Content
Chapter 1 General Provisions	Article 12 Other members of senior management members under these Articles of Association shall refer to the deputy general manager, Secretary to the Board and the chief financial officer of the Company.	Chapter 1 General Provisions	Article 12 Other members of senior management members under these Articles of Association shall refer to the deputy general manager, Secretary to the Board, the chief financial officer <u>and the chief accountant</u> of the Company.
Chapter 2 Purpose and Scope of Operation	Article 13 The purpose of the Company is to develop the Company into a large-scale international conglomerate which is led by modern and scientific development and is highly competitive in both domestic and global markets and to award shareholders with long-term stable investment return and to contribute to the national economic development with the goal of promoting the economic efficiency and realizing the rapid and persistent development while highlighting the corporate culture of “people-oriented” and “team-cooperation” as well as the team effort underlying the entrepreneurship and promoting the structural adjustment and enhancement of the industry as well as strengthening its core businesses.	Chapter 2 Purpose and Scope of Operation	Article 13 The purpose of the Company is to develop the Company into a large-scale international conglomerate which is led by modern and scientific development and is highly competitive in both domestic and global markets and to award shareholders with long-term stable investment return and to contribute to the national economic development with the goal of promoting the economic efficiency and realizing the rapid and persistent development while highlighting the corporate culture of “people-oriented” and “team-cooperation” as well as the team effort underlying the entrepreneurship and promoting the structural adjustment and enhancement of the industry as well as strengthening its core businesses; <u>safeguarded by managing enterprise in accordance with the law, to continuously promote compliance management work, to enhance the level of compliance operation management in accordance with the law, to safeguard the Company’s continuous and healthy growth.</u>

APPENDIX IV

DETAILS OF THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles		Amended Articles	
Chapter	Content	Corresponding Chapter	Content
Chapter 8 Board of Directors	Article 149 The Board shall report to the general meeting and exercise the following powers:	Chapter 8 Board of Directors	Article 149 The Board shall report to the general meeting and exercise the following powers:
	(1) to convene general meetings and report its work to the general meeting;		(1) to convene general meetings and report its work to the general meeting;

	(18) to decide on other matters which shall be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the listing rules of the place where the shares of the Company are listed and the Articles of Association.		<u>(18) to be responsible for establishing sound systems and ensure their effective implementation, including risk management, compliance management, internal control management etc.; to decide on significant matters including risk management, compliance management and internal control;</u>
	...		(19) to decide on matters which shall be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the listing rules of the place where the shares of the Company are listed and the Articles of Association
			...

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interest of Directors, Supervisors, and Chief Executives Of the Company

As at the Latest Practicable Date, the interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO, or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“**Model Code**”), to be notified to the Company and the Stock Exchange, of the Directors, Supervisors and chief executives of the Company and the connected persons of such individuals are as follows:

Name	Nature of interest	Class of Shares	Number of Shares	Percentage in the respective class of share capital (%)	Percentage of total share capital of the Company (%)
Zeng Qinghong	Beneficial owner	A Shares	707,000	0.0099	0.0069
Feng Xingya	Beneficial owner	A Shares	731,533	0.0102	0.0071
Wu Song	Beneficial owner	A Shares	534,300	0.0075	0.0052
Chen Maoshan	Beneficial owner	A Shares	537,368	0.0075	0.0052
		H Shares	111,274	0.0036	0.0011
Li Shao	Beneficial owner	A Shares	534,267	0.0075	0.0052
Wang Dan	Beneficial owner	A Shares	693,668	0.0097	0.0068
Chen Hanjun	Beneficial owner	A Shares	105,220	0.0015	0.0010
Sui Li	Beneficial owner	A Shares	80,353	0.0011	0.0008

(ii) Interests of Substantial Shareholders of the Company

As at the Latest Practicable Date and to the best knowledge of the Directors and the chief executives of the Company, persons having interests and short positions in 5% or more in the Shares and underlying Shares of the Company which would fall to

be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Class of shares	Capacity	Number of shares (Note 1)	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
GAIG (Note 2)	A Shares	Beneficial owner	5,191,015,530 (L)	72.71	53.56
	H Shares	Interest of a controlled corporation	292,208,000 (L)	9.43	
FMR LLC	H Shares	Interest of a controlled corporation	155,824,943 (L)	5.03	1.52
Citigroup Inc.	H Shares	Interest of a controlled corporation	161,601,454 (L)	5.21	3.14
			2,408,426 (S)	0.08	
			157,551,686 (P)	5.08	
Aegon-Industrial Fund Management Co., Ltd.	H Shares	Investment manager	182,871,696 (L)	5.90	1.79
Brown Brothers Harriman & Co.	H Shares	Agent	223,958,369 (L)	7.23	4.38
			223,958,369 (P)	7.23	
AllianceBernstein L.P.	H Shares	Interest of a controlled corporation	156,907,977 (L)	5.06	1.53

Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool
2. The number of such share represents the total number of A shares of the Company held by GAIG as at the Latest Practicable Date, which was 5,206,932,069 shares, representing approximately 72.93% of the A share capital of the Company. At the same time, it held 292,208,000 H shares of the Company through Southbound Transaction and its wholly owned subsidiary in Hong Kong, Guangzhou Auto Group (Hong Kong) Limited, representing approximately 9.43% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 5,499,140,069 shares, representing approximately 53.71% of the total share capital of the Company.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Director or Supervisor of the Company had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in other businesses which compete or are likely to compete with the business of the Group directly or indirectly.

5. INTEREST IN THE GROUP'S ASSETS OR SIGNIFICANT CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the directors' knowledge and belief, no member company of the Group has been involved in any major litigation or claims and no material litigation or claims were pending or threatened or made against the Group so far as the Directors are aware.

8. QUALIFICATION AND CONSENT OF EXPERT

- (i) The following is the qualification of the expert who has given opinion or advice on the information contained in this circular:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance

- (ii) As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter prepared for incorporation in this circular and references to its name in the form and context in which they appear herein.
- (iii) As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (iv) As at the Latest Practicable Date, Gram Capital did not have any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up).

9. MISCELLANEOUS

- (i) The registered address and office address of the Company are situated at 23/F, Chengyue Building, No. 448 – No. 458, Dong Feng Zhong Road, Yuxiu District, Guangzhou and GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou respectively. The principal place of business in Hong Kong is situated at Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.
- (ii) The company secretary of the Company is Ms. Sui Li. Ms. Sui Li graduated from the Jinan University in March 2001 with a master's degree in business administration. She also has the title of an economist. Ms. Shu Li graduated from Macau University of Science and Technology in June 2011 as a postgraduate with a doctorate degree in business administration.
- (iii) H share registrar of the Company is Tricor Investor Services Limited. The address is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) If there is any discrepancy between the English and Chinese versions of this circular, the Chinese shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from 9:30 a.m. to 5:30 p.m. (except Saturday, Sunday and public holiday) at Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong from the date of this circular until the date of EGM:

- (i) the Articles of Association;

- (ii) the Incentive Scheme (Draft), the full text of which is set out on pages 42 to 94 of this circular;
- (iii) Appraisal Management Measures, the full text of which is set out on pages 95 to 99 of this circular;
- (iv) the Letter from the Board, the full text of which is set out on pages 7 to 27 of this circular;
- (v) the letter from the Independent Board Committee, the full text of which is set out on pages 28 to 29 of this circular;
- (vi) the letter from the Independent Financial Adviser, the full text of which is set out on pages 30 to 41 of this circular;
- (vii) the letter of consent referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (viii) this circular.

NOTICE OF 2020 SECOND EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF 2020 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 second extraordinary general meeting (the “**EGM**”) of Guangzhou Automobile Group Co., Ltd. (the “**Company**”) will be held at Conference Room, 32/F, GAC Centre, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC at 2:00 p.m. on Friday, 13 November 2020 to consider and, if thought fit, approve the following resolution:

SPECIAL RESOLUTIONS

- 1 To consider and approve the resolution in relation to the 2020 A Share Option and Restricted Share Incentive Scheme (draft) and summary
- 2 To consider and approve the resolution in relation to the Appraisal Management Measures for Implementation of the 2020 A Share Option and Restricted Share Incentive Scheme
- 3 To consider and approve the resolution to authorise the Board and its authorized person to deal with the matters in relation to the 2020 A Share Option and Restricted Share Incentive Scheme with full authority
- 4 To consider and approve the resolution on amendments to the Articles of Association

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

Guangzhou, PRC,
22 October 2020

NOTICE OF 2020 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. Details of the resolutions in this notice are set out in the circular of the Company dated 22 October 2020.
2. Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the said meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not to be a Shareholder.
3. In order to be valid, the Shareholder’s form of proxy and, if such form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority shall be deposited at the Company’s H Share Registrar, Tricor Investor Services Limited at 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time for holding the meeting (i.e. 2:00 p.m. on Thursday, 12 November 2020) or 24 hours before the time appointed for taking the poll.
4. Shareholders or their proxies shall present proofs of identities when attending the meeting.
5. The register of members of the Company will be closed from Monday, 9 November 2020 to Friday, 13 November 2020 (both days inclusive), during which no transfer of Shares will be effected so as to ascertain the holders of H shares’ entitlement to attend and vote at the forthcoming EGM. In order to be eligible to attend and vote at the forthcoming EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar, Tricor Investor Services Limited at 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before 4:30 p.m. on Friday, 6 November 2020.
6. Shareholders or their proxies attending the EGM are responsible for their own transportation and accommodation expenses.
7. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
8. The notice of the EGM is despatched to holders of H Shares of the Company only. The notice of EGM to holders of A Shares of the Company and the relevant form of proxy are separately published on the websites of the Company (<http://www.gac.com.cn>) and the Shanghai Stock Exchange (<http://www.sse.com.cn>).
9. The contact person of the EGM is Mr. Liu Yong and his contact number is (86)-20-83151012/(86)-20-83151139, Ext. 8104.

As at the date of this notice, 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.

NOTICE OF 2020 FIRST CLASS MEETING FOR HOLDERS OF H SHARES



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)

NOTICE OF 2020 FIRST CLASS MEETING FOR HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that the 2020 first class meeting for holders of H Shares (“**H Shareholders’ Class Meeting**”) of Guangzhou Automobile Group Co., Ltd. (the “**Company**”) will be held at Conference Room, 32/F, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC at 2:00 p.m. on Friday, 13 November 2020 (to be convened in the order of the 2020 second extraordinary general meeting, 2020 first class meeting for holders of A shares and 2020 first H Shareholders’ Class Meeting) to consider and, if thought fit, approve the following resolution:

SPECIAL RESOLUTIONS

- 1 To consider and approve the resolution in relation to the 2020 A Share Option and Restricted Share Incentive Scheme (draft) and summary
- 2 To consider and approve the resolution in relation to the Appraisal Management Measures for Implementation of the 2020 A Share Option and Restricted Share Incentive Scheme
- 3 To consider and approve the resolution to authorise the Board and its authorized person to deal with the matters in relation to the 2020 A Share Option and Restricted Share Incentive Scheme with full authority

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

Guangzhou, PRC,
22 October 2020

NOTICE OF 2020 FIRST CLASS MEETING FOR HOLDERS OF H SHARES

Notes:

1. Details of the resolutions in this notice are set out in the circular of the Company dated 22 October 2020.
2. Any H shareholder of the Company (the “**H Shareholder**”) entitled to attend and vote at the H Shareholders’ Class Meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not to be a Shareholder.
3. In order to be valid, the H Shareholder’s form of proxy and, if such form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority shall be deposited at the Company’s H Share Registrar, Tricor Investor Services Limited at 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time for holding the meeting (i.e. 2:00 p.m. on Thursday, 12 November 2020) or 24 hours before the time appointed for taking the poll.
4. H Shareholders or their proxies shall present proofs of identities when attending the meeting.
5. The register of members of the Company will be closed from Monday, 9 November 2020 to Friday, 13 November 2020 (both days inclusive), during which no transfer of H Shares will be effected so as to ascertain the H Shareholders’ entitlement to attend and vote at the forthcoming H Shareholders’ Class Meeting. In order to be eligible to attend and vote at the forthcoming H Shareholders’ Class Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar, Tricor Investor Services Limited at 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before 4:30 p.m. on Friday, 6 November 2020.
6. H Shareholders or their proxies attending the H Shareholders’ Class Meeting are responsible for their own transportation and accommodation expenses.
7. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all votes at the H Shareholders’ Class Meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
8. The notice of the H Shareholders’ Class Meeting is despatched to the H Shareholders of the Company only.
9. The contact person of the H Shareholders’ Class Meeting is Mr. Liu Yong and his contact number is (86)-20-83151012 / (86)-20-83151139, Ext. 8104.

As at the date of this notice, 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, and DING Hongxiang and HAN Ying, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.