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長城汽車股份有限公司
GREAT WALL MOTOR COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2333)

ANNOUNCEMENT
RESPONSES TO INQUIRY FROM THE SHANGHAI STOCK EXCHANGE

This announcement is made by Great Wall Motor Company Limited (the “**Company**”) pursuant to the Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement (the “**Announcement**”) dated 26 April 2023 of the Company in relation to the proposed adoption of 2023 ESOP. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

Responses to the Inquiry from the Shanghai Stock Exchange

The Company received the “Inquiry on Matters Regarding the ESOP of Great Wall Motor Company Limited” (Shang Zheng Gong Han [2023] No. 0363) (《關於對長城汽車股份有限公司員工持股計劃事項的問詢函》(上證公函[2023]0363號)) from the Shanghai Stock Exchange (the “**SSE**”) on 26 April 2023 (the “**Inquiry**”), and an announcement in relation to the Inquiry was made on 26 April 2023. In accordance with the requirements of the Inquiry, the Company hereby responds to the relevant inquiries as follows:

- I. Make additional explanation on the main considerations, basis and reasonableness of the transfer of the shares repurchased by the Company at the consideration of RMB0 under the employee stock ownership scheme, and fully explain whether this arrangement meets the basic principle of “self-financing, self-bearing risk and equal rights and interests with other investors” in the Guiding Opinions on the Implementation of Employee Stock Ownership Scheme in Listed Companies, and whether this will prejudice the legitimate rights and interests of the Company and its small and medium Shareholders. The Company’s independent Directors and lawyers are required to verify and express their opinions on this.**

Response:

(I) The main considerations, basis and reasonableness of the transfer of the shares repurchased by the Company at the consideration of RMB0 under the employee stock ownership scheme

The ESOP is implemented in accordance with the requirements of the Company Law, the Securities Law of PRC, the Guiding Opinions on the Implementation of Employee Stock Ownership Scheme in Listed Companies (the “**Guiding Opinions**”), the Self-regulatory Guidelines for the Companies Listed on the Shanghai Stock Exchange No. 1 – Standardized Operation (the “**Regulatory Guidelines**”), relevant laws, administrative regulations, rules, normative documents and the Articles of Association. Pursuant to the Guiding Opinions and relevant laws, administrative regulations, rules and normative documents, there is no explicit restriction on the share transfer price of the ESOP.

The main Participants of the ESOP are the Company’s Director, Supervisor, senior management, core management and key employees, all of whom are the important employees for the Company’s strategic development and industrial layout, playing important roles in the overall business performance and longterm sustainable and stable development of the Company. The gains of Participants depend on the future performance of the Company, which aims to ensure the consistency of the long-term interests of employees and Shareholders, thereby having a positive impact on the achievement of the Company’s business goals and the rights and interests of all Shareholders. With reference to relevant regulations and market practices, combined with the development trend of the industry and the actual business situation of the Company, the transfer price under the ESOP is determined to be RMB0 per share.

To better protect the interests of all Shareholders, after comprehensive consideration, transfer price under the ESOP was adjusted as follows at the 66th meeting of the seventh session of the Board and the 54th meeting of the seventh session of the Board of Supervisors of the Company held on 8 May 2023:

Before adjustment: The ESOP will transfer the ordinary A shares repurchased by the Company through non-trading transfer and other methods permitted by laws and regulations. The transfer price is RMB0 per share, and the Participants do not need to make payments.

After adjustment: The ESOP will transfer the ordinary A shares repurchased by the Company through non-trading transfer and other methods permitted by laws and regulations. The transfer price is RMB13.82 per share, representing 50% of the average trading price of the Company’s shares for the previous 20 trading days immediately before the announcement of the amended ESOP.

The transfer price shall not be lower than the nominal value of the shares, and shall not be lower than the higher of the following:

- (1) 50% of the average trading price of the Company’s shares on the trading day immediately before the announcement of the amended ESOP, being RMB13.09 per Share;
- (2) 50% of the average trading price of the Company’s shares for the previous 20 trading days immediately before the announcement of the amended ESOP, being RMB13.82 per Share.

If there are ex-rights and ex-dividend events such as payment of dividends, bonus issue and capitalization of capital reserve during the period between the pricing base date and the date on which the Underlying Shares are transferred to the ESOP, the above-mentioned transfer price will be adjusted accordingly.

In view of the above, the ESOP is in line with the actual incentive needs of the Company, and the transfer price is reasonable and compliant with relevant requirements.

(II) Whether the employee stock ownership scheme meets the basic principle of “self-financing, self-bearing risk and equal rights and interests with other investors” in the Guiding Opinions on the Implementation of Employee Stock Ownership Scheme in Listed Companies, and whether it will prejudice the legitimate rights and interests of the Company and its small and medium Shareholders

The implementation of the ESOP complies with the principles of self-financing, self-bearing risk and equal rights and interests with other investors. There is no apportionment, forced distribution or other circumstances in which employees are forced to participate in the ESOP.

A comprehensive appraisal mechanism and a mechanism for the disposition of the Holders’ interests have been established based on the principle of reciprocity between incentives and restraint mechanisms, which are in line with the actual incentive needs of the Company and can further stimulate the enthusiasm and potential of the Company’s employees.

In addition, in order to better meet the basic principle of “self-financing, self-bearing risk and equal rights and interests with other investors” in the Guiding Opinions, the 66th meeting of the seventh session of the Board and the 54th meeting of the seventh session of the Board of Supervisors of the Company were held on 8 May 2023, at which transfer price under the ESOP was adjusted (see section I (I) of this announcement of response) and the source of funds of participants was further explained as follows:

The source of funds for the ESOP includes employees’ legitimate remuneration, self-raised funds and funds obtained through other methods permitted by the laws and regulations.

Participants of the ESOP shall pay the subscription amount in full and in due course according to the subscribed units, and the payment time will be arranged by the Company. A Holder who fails to pay the subscription amount in due course and in full will automatically lose his/her right for subscription.

In view of the above, the ESOP complies with the basic principle of “self-financing, self-bearing risk and equal rights and interests with other investors” in the Guiding Opinions, and does not prejudice the interests of the Company and its small and medium Shareholders as a whole.

(III) Verification opinion of independent Directors

The independent Directors verified the above matters and were of the opinion that:

1. The implementation of the ESOP is in line with the operation status and future development plan of the Company, and the transfer price is reasonable and compliant with relevant requirements.
2. A comprehensive appraisal mechanism and a mechanism for the disposition of the Holders’ interests have been established based on the principle of reciprocity between incentives and restraints, which comply with the basic principle of “self-financing, self-bearing risk and equal rights and interests with other investors” in the Guiding Opinions, and is conducive to mobilizing the initiative and creativity of employees and aligns the interests of the Company, employees and Shareholders of the Company to make the long-term development of the Company a common awareness for all parties, thus creating higher and more sustainable return for all Shareholders, including small and medium Shareholders. The implementation of the ESOP does not prejudice the interests of the Company and its small and medium Shareholders as a whole.

(IV) Verification opinion of the lawyer

Beijing Zhong Lun Law Firm verified the above matters and was of the opinion that:

The ESOP is in line with the actual incentive needs of the Company, and the transfer price is reasonable and compliant with relevant requirements, which complies with the basic principle of “self-financing, self-bearing risk and equal rights and interests with other investors” in the Guiding Opinions, and does not prejudice the interests of the Company and its small and medium Shareholders as a whole.

- II. **The Participants of this employee stock ownership scheme include one Director and senior executive and one chairman of the Board of Supervisors. The Company is required to make an explanation on the selection method and reasonableness of the Participants in this employee stock ownership scheme based on their positions, job responsibilities, specific contributions, etc, and the Company’s specific consideration of selecting the employee stock ownership scheme instead of the equity incentive scheme for the incentive of the Directors, Supervisors and senior executive this time, and whether there is any circumvention of the “Listed Company Equity Incentive Management Method” about requirements on granting price and the participants.**

Response:

(I) Method for determining Participants and its reasonableness

The Participants of this ESOP are determined by the Company in accordance with the provisions of the Company Law, Securities Law of the PRC, the Guiding Opinions, the Regulatory Guidelines and other laws, regulations, normative documents and the Articles of Association, and with consideration of the actual situations. Employees' participation in the ESOP complies with the principles of lawfulness, voluntary participation and self-bearing of risk.

After adjustment to the Participants and the number of shares under the ESOP at the 66th meeting of the seventh session of the Board and the 54th meeting of the seventh session of the Board of Supervisors of the Company held on 8 May 2023, Participants under the ESOP include Director (not independent Director), Supervisor and core management and key employees of the Company. The total number of Participants of the ESOP shall be no more than 3,640, among which 2 are Director (not independent Director) and Supervisor, and 3,638 are core management and key employees in aggregate. The proportion of the proposed subscription amount by the Director and Supervisor to the total share of the ESOP is 0.29%. Details of the Director and Supervisor who are Participants under the ESOP are set out as follows:

Ms. Li Hong Shuan, a certified public accountant in the PRC, is an executive Director, the chief financial officer, joint company secretary and the secretary to the Board of the Company. She joined the Company in 2007 and engaged in financial management for 15 years. Ms. Li has worked as an assistant to the division head of the finance division of the Company and the chief financial controller of Baoding Great Wall Holdings Co., Ltd. She has presided over the establishment and reform of financial organization of the holding group and played a vital role in the establishment and implementation of financial system and risk control system in the holding group. She led the financial team to win the Business Management and Financial Control Integration Award 2022 and Business Contribution Award 2022 of Great Wall Motor Company Limited, and made significant contribution to the financial management and financial reform of the Company.

Ms. Lu Cai Juan, a certified public accountant in the PRC, joined the Company in 2003 and has been engaged in financial management for 19 years. Ms. Lu used to serve as the director of the financial department of the Company, leading the financial management, fiscal and tax risk prevention and control tasks of the Company, and currently serves as an expert in the Company's financial analysis and management. She has made important contribution to the financial management of the Company.

Core management and key employees include other management personnel of the Company other than the Directors, Supervisors and senior management of the Company, and the directors, supervisors, managers and key technical and management personnel of the subsidiaries of the Company, who are the important employees for the long-term development of the Company and the guarantee for the realization of the Company's long-term strategic goals.

The Director and the Supervisor among the Participants of the ESOP are Ms. Li Hong Shuan (executive Director, chief financial officer, joint company secretary and the secretary to the Board) and Ms. Lu Cai Juan (chairman of the Board of Supervisors), respectively, who both have interests in the ESOP. Therefore, Ms. Li Hong Shuan has abstained from voting on the Board resolutions in relation to the ESOP at the Board meeting and Ms. Lu Cai Juan has abstained from voting on the resolutions in relation to the ESOP at the meeting of the Board of Supervisors.

Based on the above, as the mainstay for supporting the Company's business performance and sustainable development as well as maintaining the Company's competitiveness and promoting sustainable change and development, the Participants of the ESOP play an irreplaceable role in the business development and realization of strategic goals of the Company. In addition, the selection of Participants and the allocation of equities to be transferred under the ESOP fully considered, among others, the Holder's length of service, responsibilities, contribution and strategic value to the Company.

(II) Whether there is circumvention of the requirements on granting price and the participants in the Listed Company Equity Incentive Management Method in the Company's specific considerations when selecting the employee stock ownership scheme instead of the equity incentive scheme for the incentive of the Directors, Supervisors and senior executive this time

The Company chose employee stock ownership scheme over equity incentive scheme based on the following considerations:

1. Management flexibility

Under the employee stock ownership scheme, the interests of the participants are managed by a unified account of the employee stock ownership scheme, with management committee authorized by the Holders' meeting as the administrator and taking charge of the daily management of the scheme, including but not limited to reducing the shares of the Company held under the scheme upon the expiry of the lock-up period, and distributing gains and cash assets to the holders on behalf of the scheme. Under equity incentive scheme, which has a different shareholding method and management model from the employee stock ownership scheme, in case of resignation of the participant, the shares held by such participant generally shall be repurchased for cancellation, which involves a series of approval, change and registration process. In comparison, the process of employee stock ownership scheme is simpler and its management is more flexible.

2. Larger participant scope

Compared with the equity incentive scheme, the employee stock ownership scheme allows a wider range of participants, and all directors (excluding independent directors) and supervisors could be participants. Based on the situation of the Company, a Supervisor is also a key employee of the Company, thus he/she could be a proposed Participant determined by the Company. Therefore, the employee stock ownership scheme is more suitable for the Company.

In view of the above, the ESOP is a deliberate choice the Company made with reference to the situation of the Company and the requirements of relevant laws and taking into consideration specific matters such as the selection of the Participants. The method for selecting the Participants of the ESOP is reasonable and there is no circumvention of the requirements on the granting price and the participants in the Listed Company Equity Incentive Management Method.

III. This employee stock ownership scheme sets sales volume and net profit as performance evaluation indicators, and determines the unlocked proportion at the company level, among which net profit indicators in 2023 and 2024 are RMB6 billion and RMB7.2 billion respectively, both of which are lower than the Company's net profit of RMB8.266 billion in 2022. The Company is required to further explain whether the performance evaluation indicator meets the Company's current business development and performance improvement requirements based on factors such as production and operation, business performance in recent years and orders in hand, and whether it can actually produce incentive effects.

Response:

The Company has fully reviewed the operating environment and the operation conditions of the Company in 2023. The setting of the targets aligns better with the current conditions of the Company and is quite challenging.

- (I) In respect of the market demand, due to the impacts of the policy of halving the purchase tax on fossil fuel vehicles and the government policy of subsidies on new energy vehicles in 2022, the demand in the automobile market has been overdrawn to certain extent. China Association of Automobile Manufacturers estimated that the total automobile sales volume will reach 27.60 million units in 2023, representing a year-on-year increase of about 3% and the sales volume of new energy vehicles is expected to exceed 9 million units. Due to the impacts of the shortage of chips and other various factors in 2022, Great Wall Motor recorded automobile sales volume of 1,067,000 units, representing a year-on-year decrease of 16.7%. Through the development of new suppliers, vertical integration and other means, Great Wall Motor improved the safety of supply chains and generally solved the shortage of chips by the end of 2022. 2023 is a crucial year for Great Wall Motor to transform towards new energy vehicles. The Company will devote its efforts to expand the market share, speed up in globalization and reshape the growth. Therefore, the Company formulated the challenging target in sales volume: the target in sales volume for 2023 and 2024 is 1.6 million units and 1.9 million units, representing a year-on-year increase of 49.9% and 18.8%, respectively, far higher than the growth in the industry.
- (II) In respect of the policies, the national subsidies on new energy vehicles will officially withdraw in 2023, which will bring more pressures to automobile manufacturers. Based on the Notice on the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles in 2022 released by four departments, including the Ministry of Finance, the subsidies for plug-in hybrid electric vehicles is RMB4,800 per vehicle and those with an endurance mileage of over 400 kilometers receives a subsidy of RMB12,600 per vehicle. The policy has been terminated on 31 December 2022. Vehicles registered subsequently after the aforementioned date will no longer receive the subsidies, which will further reduce the profit of automobile manufacturers.
- (III) In respect of the market competition, as a result of the downbeat expectation on the automobile market, the increase in the supply of new energy vehicles and the initiation of the price war by certain new energy vehicle manufacturers in 2023, it is expected that the competition in the automobile market will be further intensified in 2023 and the sales volume and profit of automobile manufacturers will face more severe situations.

(IV) In respect of the Company, the Company determined its production scheme according to sales volume and recorded a net profit of RMB8.266 billion in 2022. After deducting exchange gains/losses, government subsidies and other extraordinary gains, the net profit attributable to Shareholders of the Company after extraordinary gains/losses was RMB4.477 billion. Therefore, the net profit target of RMB6 billion and RMB7.2 billion for 2023 and 2024, respectively, is quite challenging. The Company anticipates to conduct transformation and upgrading towards a global intelligent technology company under its medium to long-term strategies. However, with major changes in the competitive pattern in new energy vehicle market in China, it raises higher requirements on the speed and quality of the transformation of the Company. As a result, the Company formulated the strategy on comprehensive transformation towards new energy vehicles. The strategy is currently under the investment period, including brands, products, channels, R&D and operation, to propel the successful transformation. Meanwhile, considering the gaps between the current profitability of new energy products and that of the same level of traditional energy vehicles, and the increase in the sales proportion and size of new energy products, the setting of the profit target of the Company aligns with the actual situation of the Company.

The setting of the incentive targets aligns with the performance growth of the Company, is scientific and challenging, and could effectively fulfil the incentive purpose by facilitating Participants to further take initiative efforts, thereby aligning the interests of and creating greater value for the Company, Shareholders and employees of the Company.

The shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by the order of the Company. All members of the board of directors of the Company jointly and severally accept responsibility for the accuracy of this announcement.

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk), the Shanghai Stock Exchange (www.sse.com.cn) and the official website of the Company (www.gwm.com.cn).

By order of the Board
Great Wall Motor Company Limited
Li Hong Shuan
Joint Company Secretary

Baoding, Hebei Province, the PRC, 8 May 2023

As at the date of this announcement, members of the Board comprise:

Executive Directors: Mr. Wei Jian Jun, Mr. Zhao Guo Qing and Ms. Li Hong Shuan.

Non-executive Director: Mr. He Ping.

Independent Non-executive Directors: Ms. Yue Ying, Mr. Li Wan Jun and Mr. Ng Chi Kit.

All currencies in the announcement are RMB.

* *For identification purpose only*