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**福萊特玻璃集團股份有限公司**

**Flat Glass Group Co., Ltd.**

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

**(Stock code: 6865)**

## **PROPOSED ADOPTION OF THE A SHARE OPTION INCENTIVE SCHEME**

The Company announces that the Board passed resolutions on 17 August 2021, which proposed the adoption of the A Share Option Incentive Scheme by the Company and the implementation of the Grant accordingly after approval by the Shareholders at the Shareholders' general meeting, and put forward the proposed plan and proposed Grant for the Scheme. The Scheme will become effective after approval by the Shareholders at the Shareholders' general meeting.

### **INTRODUCTION**

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#### **1. PROPOSED ADOPTION OF THE A SHARE OPTION INCENTIVE SCHEME**

##### **A. Purpose of the implementation of the Scheme**

For the purpose of further improving the corporate governance structure of the Company, establishing and enhancing the long-term incentive and constraint mechanism of the Company, attracting and retaining talents, fully mobilizing the proactiveness and creativities of the middle and senior management and technical personnel of the Company, effectively promoting the cohesiveness of the core t20 Tw 0 -1.rt4 3 othe thfectively 0 -1.rtligng t0 ()]TJ0.025 Tc -0.02812w 0 -1 conormiveCo

## **B. Basis for determining the Participants and the scope of the Participants**

### ***(1) Basis for determining the Participants***

Participants of the Scheme are determined in accordance with the requirements of relevant laws, administrative regulations and normative documents including the Company Law, the Securities Law and the Administrative Measures, as well as the requirements under the Articles of Association with reference to the actual situations of the Company.

Participants of the Scheme are the middle and senior management and technical personnel of the Company as at the date of the announcement of the draft Scheme. The Remuneration Committee shall prepare a list of eligible scope of the Participants of the Scheme and the list shall be reviewed and confirmed by the Supervisory Committee.

### ***(2) Scope of Participants***

The Scheme involves a total of 289 Participants, and the Participants account for 8.40% of the Company's total number of employees of 3,440 as of 31 December 2020. The Participants include the middle and senior management and technical personnel of the Company.

The Participants above do not include the Independent Directors, the Supervisors of the Company, also do not include any Shareholder or actual controller individually or jointly holding more than 5% of the Shares of the Company and their spouse, parents and children. None of the Participants above has participated in the share option incentive schemes of two or more listed companies at the same time. All Participants must enter into a labor contract or an employment contract with the Company or its subsidiaries during the assessment period of the Scheme.

Participants to be granted with the Reserved Share Options shall be determined within 12 months after the Scheme is considered and approved by the Shareholders' general meeting. Upon the proposals by the Board, issuance of clear opinions by the Independent Directors and the Supervisory Committee as well as issuance of professional opinions and legal opinions by the legal advisors, the Company shall disclose the relevant information on such Participants pursuant to the relevant requirements in a timely and accurate manner. If the Participants are not determined for more than 12 months, the Reserved Share Options will lapse. The determination of the Participants for the Reserved Share Options shall be made by reference to the standards set out in the First Grant of Share Options.

**(3) *Circumstances for ineligibility of the Participants of the Scheme***

- (i) he or she has been determined by the stock exchange as an ineligible person in the last 12 months;
- (ii) he or she has been determined by the CSRC or its delegated agencies as an ineligible person in the last 12 months;
- (iii) he or she has been imposed by the CSRC or any of its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material violation of laws and regulations;
- (iv) he or she is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
- (v) he or she is prohibited from participating in share incentives of listed companies as required by laws and regulations; and
- (vi) such other circumstances as determined by the CSRC.

In case the Participant has any of the circumstances specified in the above during the implementation of the Scheme, his or her right of participating in the Scheme shall be terminated and the Share Options granted to him or her which have not been exercised shall be cancelled by the Company.

**C. Source and number of shares under the Scheme**

**(1) *Source of shares of the Scheme***

The source of the underlying shares of the Scheme shall be A Shares of the Company to be directly issued to the Participants.

**(2) Total number of the Share Options involved in the Scheme**

The number of Share Options proposed to be granted under the Scheme is 5,947,858, representing approximately 0.28% of the total issued share capital of 2,146,893,254 Shares of the Company as at the date of announcement of the draft Scheme, among which, the first grant of Share Options consists of 5,353,072 shares (“**First Grant of Share Options**”), representing approximately 0.25% of the total issued share capital of 2,146,893,254 Shares of the Company as at the date of announcement of the draft Scheme and 90% of the total number of Share Options under the Grant; the reserved share options consist of 594,786 shares (“**Reserved Share Options**”), representing approximately 0.03% of the total issued share capital of 2,146,893,254 Shares of the Company as at the date of announcement of the draft Scheme and 10% of the total number of Share Options under the Grant.

Each Share Option granted under the Scheme is entitled to purchase one A Share of the Company at the Exercise Price during the Exercise Period upon the fulfillment of vesting conditions and arrangement. The Share Options granted to the Participants shall not be transferred, used for guarantee or repayment of debts during the Vesting Period. Share Options are not entitled with voting rights, and do not involve in the distribution of bonus share and dividends before being exercised. Unless otherwise provided by the lock-up provisions under the Scheme, the Participants shall be entitled to all the rights of ordinary Shareholders and perform related obligations in respect of their A Shares by exercising Share Options in accordance with laws.

The Restricted A Share Incentive Scheme for 2020 was considered and approved at the 2019 annual general meeting, the 2020 first A Share class meeting and 2020 first H Share class meeting of the Company is still under implementation. As at the date of announcement of the draft Scheme, the total aggregate number of underlying Shares involved in the A Share Option Incentive Scheme of the Company during the Validity Period shall not exceed 10.00% of the total share capital of the Company. The total aggregate number of Shares to be granted to any Participant under the A Share Option Incentive Scheme during the Validity Period shall not exceed 1.00% of the total share capital of the Company.

**D. Validity Period, Date of Grant, Vesting Period, exercise arrangement and the lock-up period of the Scheme**

**(1) Validity Period**

The Validity Period of the Scheme shall commence from the Date of Grant of the Share Options, and end on the date on which all the Share Options granted to the Participants under the Scheme have been exercised or cancelled, and shall not be longer than 72 months.

**(2) *Date of Grant***

After the Scheme has been considered and approved at the Shareholders' general meeting of the Company, the Company will convene a Board meeting to grant Share Options to the Participants within 60 days in accordance with relevant regulations and complete relevant procedures such as registration and announcement. If the Company fails to complete the abovementioned works within 60 days, it shall disclose the reasons for the inability to complete and announce the termination of the implementation of the Scheme in a timely manner. The period during which no Share Option can be granted in accordance with the Administrative Measures shall not be counted within such 60 days.

The Date of Grant of Reserved Share Options shall be confirmed by the Board within 12 months after consideration and approval at the Shareholders' general meeting.

The Date of Grant of Share Options must be a trading day under SSE Listing Rules. If the date determined in accordance with the above principles is not a trading day, the Date of Grant shall be postponed to the first trading day thereafter.

**(3) *Vesting Period***

All Share Options granted to the Participants are subject to different Vesting Periods, and each of such periods shall begin on the date in which the registration of the granted Share Options is completed. The interval between the Date of Grant and the first Exercise Date of the Share Options shall not be less than 12 months.

**(4) *The Exercise Date***

The Participants of the Scheme may exercise Share Options upon the expiration of the Vesting Period. The Exercise Date must be a trading day within the Validity Period of the Scheme, and shall not fall within the period prohibited from exercising rights of share options by the listing rules of the stock exchange where the Company's Shares are listed. During the Validity Period of the Scheme, if there is any change to the relevant requirements on the exercise date of share options of the stock exchange where the Shares of the Company are listed, the Exercise Date shall comply with the revised provisions of the relevant laws, regulations and normative documents.

The exercise arrangement for the First Grant of Share Options and the Reserved Share Options are as follows.

The exercise arrangement for the First Grant of Share Options:

<b>Exercise Arrangement</b>	<b>Exercise Period</b>	<b>Proportion of exercisable Share Options to the total number of Share Options granted</b>
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of the Grant of the First Grant of Share Options, and ending on the last trading day of the 24th month from the Date of Grant	20%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 36th month from the Date of Grant	20%
Third Exercise Period	Commencing from the first trading day after the expiry of the 36th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 48th month from the Date of Grant	20%
Fourth Exercise Period	Commencing from the first trading day after the expiry of the 48th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 60th month from the Date of Grant	20%
Fifth Exercise Period	Commencing from the first trading day after the expiry of the 60th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 72th month from the Date of Grant	20%

The exercise arrangement for the Reserved Share Options:

<b>Exercise Arrangement</b>	<b>Exercise Period</b>	<b>Proportion of exercisable Share Options to the total number of Share Options granted</b>
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 24th month from the Date of Grant	20%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 36th month from the Date of Grant	20%
Third Exercise Period	Commencing from the first trading day after the expiry of the 36th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 48th month from the Date of Grant	20%
Fourth Exercise Period	Commencing from the first trading day after the expiry of the 48th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 60th month from the Date of Grant	20%
Fifth Exercise Period	Commencing from the first trading day after the expiry of the 60th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 72th month from the Date of Grant	20%

Share Options for which the Exercise Conditions are not fulfilled during the above agreed period shall not be exercised or deferred to the next exercise period, and the relevant Share Options of such Participants shall be cancelled by the Company in accordance with the principles stipulated in the Scheme. After the end of each Exercise Period of the Share Options, the Share Options exercisable by the Participants for the current period that have not been exercised shall be terminated and cancelled by the Company.

**(5) Lock-up Period**

The lock-up requirements for Shares of the Company granted to the Participants under the Scheme shall be implemented in accordance with requirements of relevant laws, administrative regulations and normative documents including the Company Law and the Securities Law, as well as the requirements under the Articles of Association.

Details are as follows:

- (i) where a Participant is a Director or a member of the senior management of the Company, the number of Shares of the Company that may be transferred each year during his or her term of office shall not exceed 25% of the total number of Shares of the Company held by him or her. No Shares of the Company held by him or her shall be transferred within half a year after his or her termination of office.
- (ii) where a Participant is a Director or a member of the senior management of the Company and his/her spouse, parents and child, disposes of any Shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains.
- (iii) if there is any amendment to the requirements regarding the transfer of shares by Directors and senior management of the Company under relevant laws, administrative regulations and normative documents including the Company Law and the Securities Law, as well as the Articles of Association during the Validity Period of the Scheme, such amended requirements thereunder shall apply to the Shares of the Company transferred by the Participants during the relevant times.

**E. Exercise Price and basis of determination of the Scheme**

For details of the Exercise Price and basis of determination of the Scheme, please see “Proposed Grant Under the A Share Option Incentive Scheme—Exercise Price and basis of determination” in this announcement.



## **F. Conditions of the Grant and Exercise Conditions of the Share Options**

### ***(1) Conditions of the Grant of Share Options***

The Share Options can be granted to the Participants by the Company upon fulfillment of all of the following conditions. On the contrary, no Share Option shall be granted to the Participants if any of the following conditions of Grant is not fulfilled.

- (i) There is no occurrence of any of the following in respect of the Company:
  - (a) issuance of the auditors' report with an adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial accounting report of the Company for its most recent accounting year;
  - (b) issuance of the auditors' report with an 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;
  - (c) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;
  - (d) prohibition from implementation of share incentives by laws and regulations; and
  - (e) such other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following in respect of a Participant:
  - (a) he or she has been determined by stock exchange as an ineligible person in the last 12 months;
  - (b) he or she has been determined by the CSRC or its delegated agencies as an ineligible person in the last 12 months;
  - (c) he or she 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 violation of laws and regulations;
  - (d) he or she is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;

- (e) he or she is prohibited from participating in share incentives of listed companies as required by laws and regulations; and
- (f) such other circumstances as determined by the CSRC.

**(2) *Exercise Conditions of the Share Options***

- (d) he or she is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
- (e) he or she is prohibited from participating in share incentives of listed companies as required by laws and regulations; and
- (f) such other circumstances as determined by the CSRC.

In case any Participant has any of the circumstances specified in (ii) above, his or her right of participating in the Scheme shall be terminated and the Share Options granted to the Participant under the Scheme which have not been exercised shall be cancelled by the Company.

(iii) Performance assessment requirements at the Company level:

During the Validity Period, the Company will assess the Company's performance targets on an annual basis for the fiscal year 2021-2026, in which the fulfillment of performance assessment target of each Exercise Period is one of the Exercise Conditions for that Exercise Period of the Participants. The performance assessment targets for each Exercise Period under the Scheme are as below:

<b>Exercise Period</b>		<b>Targets of Performance Assessment</b>
<b>First Grant of Share Options</b>	<b>First Exercise Period</b>	The growth rate of the operating income for the year of 2021 shall not be lower than 30%, as compared to the operating income for the year of 2020
	<b>Second Exercise Period</b>	The growth rate of the operating income for the year of 2022 shall not be lower than 90%, as compared to the operating income for the year of 2020
	<b>Third Exercise Period</b>	The growth rate of the operating income for the year of 2023 shall not be lower than 120%, as compared to the operating income for the year of 2020
	<b>Fourth Exercise Period</b>	The growth rate of the operating income for the year of 2024 shall not be lower than 180%, as compared to the operating income for the year of 2020

<b>Exercise Period</b>	<b>Targets of Performance Assessment</b>
	Fifth Exercise Period The growth rate of the operating income for the year of 2025 shall not be lower than 200%, as compared to the operating income for the year of 2020
Reserved Share Options	First Exercise Period The growth rate of the operating income for the year of 2022 shall not be lower than 90%, as compared to the operating income for the year of 2020
	Second Exercise Period The growth rate of the operating income for the year of 2023 shall not be lower than 120%, as compared to the operating income for the year of 2020
	Third Exercise Period The growth rate of the operating income for the year of 2024 shall not be lower than 180%, as compared to the operating income for the year of 2020
	Fourth Exercise Period The growth rate of the operating income for the year of 2025 shall not be lower than 200%, as compared to the operating income for the year of 2020
	Fifth Exercise Period The growth rate of the operating income for the year of 2026 shall not be lower than 220%, as compared to the operating income for the year of 2020

*Note:* The above “operating income” means the audited consolidated operating income of the Company.

During the Exercise Period, the Company shall handle the issues concerning the exercise of the Share Options for the Participants who fulfill the Exercise Conditions. If the performance levels for the current period of the Company do not fulfill the conditions of performance target during such Exercise Period, all Participants shall not exercise the exercisable Share Options that shall be assessed in such year, the Company shall cancel the Share Options exercisable by the Participants for the current period.

(iv) Performance assessment requirements of the Participants at the individual level:

The individual assessment of Participants shall be organized and implemented in accordance with the relevant Company's performance assessment systems. According to the annual performance assessment results, the individual performance assessment results are divided into two levels.

On the premise that the Company's performance targets are achieved, if the individual performance assessment results of such Participant in the previous year is qualified, the Participant can exercise all the Share Options for such year of assessment; if the individual performance assessment results of such Participant in the previous year is unqualified, all Share Options of the Participants which are eligible for exercise in the year of assessment shall not be exercised. The Share Options which are not exercised by the Participants shall be canceled by the Company.

The specific assessment content of the Scheme is implemented in accordance with the Assessment Measures in respect of the Implementation of the 2021 Share Option Incentive Scheme of Flat Glass Group Corporation Ltd.

**(3) *Description of scientificity and reasonability in the setting of performance assessment indicators by the Company***

The Company is a leading glass manufacturer in China. Its principal activities are research and development, manufacturing and sale of PV glass products, float glass products, architectural glass products, household glass products, as well as quartz mining and sales for glass and construction of EPC PV power station. Among them, PV glass is the Company's principal product.

China is a major energy producer and consumer in the world. As one of the national strategic emerging industries, the PV industry has been continuously overweight by national policies in recent years, and the industry has entered a period of rapid development. So far, China has become the world's largest producer of crystalline silicon solar cells and the world's largest market. In the fiscal year of 2020, the Group benefited from the impact of capacity expansion and the vigorous development of PV industry, and its operating revenue reached a new high. In the n and the vigorous gondus vigoroppid de-2.ghTdggest prostry, and its

According to the performance targets set in the Scheme, the growth rate of the Company's operating income from 2021 to 2026 will be no less than 30%, 90%, 120%, 180%, 200% and 220% respectively, as compared with 2020. The performance targets are formulated by fully considering the status quo, future development strategy and industry development of the Company and other factors. Such indicators are challenging for future development, which are helpful to enhance the Company's competitiveness and mobilize the enthusiasm of employees, and focus on the Company's future development strategic direction and stabilize the realization of business objectives, so as to secure the realization of the Company's future development strategy and operating objectives, and bring more efficient and stable returns to shareholders.

In addition to the performance assessment at the Company level, the Company has adopted a rigorous performance assessment system for individuals, which can make relatively accurate and comprehensive evaluation on the work performance of the Participants. The Company will determine whether a Participant has met the Exercise Conditions based on his/her performance assessment results for the previous year.

In conclusion, the assessment system of the Scheme is all-rounded, comprehensive and practicable. The assessment indicators are set in a scientific and reasonable manner, and are binding on the Participants, which can achieve the assessment purpose of the Scheme.

## **G. Methods of and procedures for adjustment of the Scheme**

### ***(1) Adjustment methods of the number of the Share Options***

In the event of capitalization of capital reserves, bonus issue, share subdivision, rights issue, share consolidation of the Company during the period from the date of the announcement of the Scheme to the completion of share registration of Share Options by the Participants, the number of the Share Options shall be adjusted accordingly. The adjustment methods are as follows:

#### ***(i) Capitalization of capital reserves, bonus issue, share subdivision***

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

Where:  $Q_0$  represents the number of the Share Options prior to the adjustment;  $n$  represents the ratio of increase per share resulting from capitalization of capital reserves, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalization of capital reserves, bonus issue or share subdivision); and  $Q$  represents the number of the Share Options after the adjustment.

*(ii) Rights issue*

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

Where:  $Q_0$  represents the number of the Share Options prior to the adjustment;  $P_1$  represents the closing price of the Share Options as at the record date;  $P_2$  represents the subscription price in respect of the rights issue;  $n$  represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); and  $Q$  represents the number of the Share Options after the adjustment.

*(iii) Share consolidation*

$$Q = Q_0 \times n$$

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

*(iv) New issue*

In the event of issue of new shares by the Company, the number of the Share Options will not be adjusted.

**(2) Adjustment methods of the Exercise Price**

In the event of dividend distribution, capitalization of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company during the period from the date of announcement of the Scheme to the completion of exercise of the Share Options by the Participants, the Exercise Price of Share Options should be adjusted accordingly, but no adjustments may be made to the extent that the Exercise Price would be lower than the nominal value of the shares. The adjustment methods are as follows:

*(i) Capitalization of capital reserves, bonus issue, share subdivision*

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

Where:  $P_0$  represents the Exercise Price prior to the adjustment;  $n$  represents the ratio of increase per share resulting from the capitalization of capital reserves, bonus issue or share subdivision; and  $P$  represents the Exercise Price after the adjustment.

*(ii) Rights issue*

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

Where:  $P_0$  represents the Exercise Price prior to the adjustment;  $P_1$  represents the closing price of the Share Options as at the record date;  $P_2$  represents the subscription price in respect of the rights issue;  $n$  represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); and  $P$  represents the Exercise Price after the adjustment.

*(iii) Share consolidation*

$$P = P_0 \div n$$

Where:  $P_0$  represents the Exercise Price prior to the adjustment;  $n$  represents the ratio of share consolidation; and  $P$  represents the Exercise Price after the adjustment.

*(iv) Dividend distribution*

$$P = P_0 - V$$

Where:  $P_0$  represents the Exercise Price prior to the adjustment;  $V$  represents the dividend per share; and  $P$  represents the Exercise Price after the adjustment. After the adjustment of dividend distribution,  $P$  shall still be greater than the par value of the Company's shares.

*(v) New issue*

In the event of issue of new shares by the Company, the Exercise Price of the Share Options will not be adjusted.

**(3) Procedures for adjustment of the Scheme**

The Shareholders' general meetings of the Company shall authorize the Board to adjust the number and Exercise Price of the Share Options for any reason as clearly stated in the Scheme. The Board shall make an announcement and notify the Participants in a timely manner upon making adjustments to the number granted and Exercise Price of the Share Options in accordance with the abovementioned requirements. The Company shall engage law firm to provide professional advice to the Company as to whether such adjustments are in compliance with the requirements under the Administration Measures, the Articles of Association and the Scheme.



## **H. Procedures for implementation of, Grant of, exercise of and amendments to and termination of the Scheme**

### ***(1) Procedures for the Scheme to take effect***

- (i)** The Remuneration and Evaluation Committee shall be responsible for preparing the Scheme (draft) and the Assessment Measures in respect of the implementation of the 2021 Share Option Incentive Scheme of Flat Glass Group Corporation Ltd.
- (ii)** The Board shall consider the Scheme (draft) and the Assessment Measures in respect of the implementation of the 2021 Share Option Incentive Scheme of Flat Glass Group Corporation Ltd. prepared by the Remuneration and Evaluation Committee, and the related Directors shall abstain from voting.
- (iii)** The Independent Directors and the Supervisory Committee shall issue clear opinions as to whether the Scheme is beneficial to the sustainable development of the Company and whether the Scheme is significantly detrimental to the interests of the Company and the Shareholders as a whole.
- (iv)** The Company shall engage an independent financial adviser to express professional opinions on the feasibility of the Scheme, whether the Scheme is beneficial to the sustainable development of the Company and whether the Scheme is significantly detrimental to the interests of the Company and the Shareholders as a whole. The law firm engaged by the Company shall issue legal opinions on the Scheme.
- (v)** The Company shall publish the announcement of the Board resolutions, the Scheme (draft) and its summary, opinions from the Independent Directors and opinions from the Supervisory Committee within 2 trading days after the Scheme (draft) has been considered and approved by the Board.
- (vi)** The Company shall carry out self-investigation on the trading of Shares of the Company by individuals in possession of inside information within 6 months prior to the announcement of the Scheme.
- (vii)** Before convening the Shareholders' general meeting, the Company shall announce the name and position of the Participants internally via the Company's website or other channels for 10 days. The Supervisory Committee shall verify the list of Participants and thoroughly consider opinions from the public. The Company shall disclose the opinions of the Supervisory Committee on the verification and the public opinions in relation to the list of the Participants 5 days prior to the consideration of the Scheme at the Shareholders' general meeting.

- (viii) During voting on the Scheme and related resolutions at the Shareholders' general meeting of the Company, the Independent Directors shall solicit proxy voting rights from all Shareholders in respect of the Scheme and related resolutions. When the Scheme and related resolutions are considered by way of special resolutions at the Shareholders' general meeting, the related Shareholders shall abstain from voting.
- (ix) The Company shall disclose the announcement of the resolutions of the Shareholders' general meeting, A Share Option Incentive Scheme considered and approved by the Shareholders' general meeting, the self-investigation report on the trading of Shares of the Company by individuals in possession of inside information and the legal opinions of the Shareholders' general meeting.
- (x) After the Scheme has been considered and approved by the Shareholders' general meeting of the Company, the Board shall grant the Shares and complete registration, announcement and other related procedures within 60 days from the date of consideration and approval of the Scheme by the Shareholders' general meeting in accordance with the mandate granted at the Shareholders' general meeting. The Board shall handle matters in relation to the specific exercise and cancellation of the Share Options in accordance with the mandate granted at the Shareholders' general meeting.

**(2) *Procedures for Grant of the Share Options***

- (i) Within 60 days from the date of consideration and approval of the Scheme by the Shareholders' general meeting of the Company, the Company shall convene the Board meeting to conduct the Grant to the Participants.
- (ii) Before the Company grants Shares to the Participants, the Board shall consider whether the conditions for the grant of the Shares to the Participants prescribed in the Scheme are satisfied, and the Independent Directors and the Supervisory Committee shall issue their clear opinions simultaneously. A law firm shall issue a legal opinion on whether the conditions for the grant of the Share to the Participants are satisfied. The Supervisory Committee of the Company shall verify the list of Participants on the Date of Grant and provide its opinions.

When there is any discrepancy between the Company's Grant of Shares to the Participants and the arrangement of the Scheme, the Independent Directors, the Supervisory Committee (when there are changes to the Participants), the law firm and the independent financial adviser shall issue their clear opinions simultaneously.

- (iii) The Company and the Participants shall enter into the Share Option Grant Agreement to agree on the rights and obligations of both parties.

- (iv) The Company shall prepare a management register of the Scheme in accordance with the agreements entered into by the Participants, setting out names of Participants, numbers of Shares granted, Date of Grant, amount of payment and the serial number of the Share Option Grant Agreement, etc.
- (v) The Company shall apply to the relevant stock exchange for Grant of Share Options to the Participants. After confirmation by the relevant stock exchange, the Company shall apply to the Depository and Clearing Corporation for matters in relation to registration and clearing. The Board shall disclose the relevant implementation by way of announcement in a timely manner after the completion of the registration of the granted Share Options. If the Company fails to complete the abovementioned implementation within 60 days (the period during which no Share Option can be granted shall not be counted within such 60 days), the Scheme shall be terminated and the Board shall disclose the reasons for the inability to complete in a timely manner and shall not re-consider the share option incentive scheme within 3 months.
- (vi) Participants who will be granted with the Reserved Share Options shall be ascertained within 12 months after the consideration and approval of the Scheme by the Shareholders' general meeting. If no Participants are ascertained after the lapse of 12 months, the Reserved Share Options shall become invalid.

**(3) *Procedures for the exercise of the Share Options***

- (i) The Participants shall submit the Application for Exercise of Stock Option to the Board on the Exercise Date, and submit an exercise application. The Application for Exercise of Stock Option shall specify the number of Share Options to be exercised, Exercise Price, and information of dealing by the holders of Share Options, etc.
- (ii) Before the Participants exercise the Share Options, the Board shall consider and approve the exercise qualifications and number of Share Options to be exercised of the applicants, and consider whether the conditions for the exercise of the Share Options by the Participants prescribed in the Scheme are satisfied, and the Independent Directors and the Supervisory Committee shall issue their clear opinions simultaneously. A law firm shall issue a legal opinion on whether the conditions for the exercise of the Share Options by the Participants are satisfied.
- (iii) After the Participants' exercise applications have been approved by the Board and the corresponding payments for the exercise of Share Options (for purchased Share) have been made, the Company shall apply to the stock exchange for exercise application, and issue the Shares to the Participants directly based on the number of Share Options to be exercised as set out in the application.

- (iv) After approval by the stock exchange, the Depository and Clearing Corporation shall handle the matters in relation to registration and clearing.
- (v) Participants can transfer the Shares after the exercise of Share Options, however, the transfer of Shares held by Directors and senior management of the Company shall comply with the requirements under relevant laws, regulations and normative documents.

The Company can provide a unified or autonomous exercise method to the Participants based on the actual circumstances.

**(4) *Procedures for amendments to the Scheme***

If the Company intends to amend the Scheme prior to its consideration and approval at the Shareholders' general meetings, such amendment shall be considered and approved by the Board. If the Company intends to amend the Scheme after the approval at the Shareholders' general meetings, such amendment shall be considered and approved at the Shareholders' general meeting given that such amendment shall not result in accelerating early exercise and lowering Exercise Price.

The Company shall disclose the comparison of the amendments to the Scheme before and after the amendments in a timely manner. The Independent Directors and the Supervisory Committee shall give clear opinions as to whether the amendments to the Scheme is conducive to the sustainable development of the Company and is significantly detrimental to the interests of the Company and the Shareholders as a whole. A law firm shall provide professional advice as to whether the amendments to the Scheme are in compliance with the requirements of the Administrative Measures and relevant laws and regulations and is significantly detrimental to the interests of the Company and the Shareholders as a whole.

**(5) *Procedures of termination of the Scheme***

If the Company intends to terminate the Scheme prior to its consideration at the Shareholders' general meetings, such termination shall be considered, approved and disclosed by the Board. If the Company intends to terminate the Scheme after the approval at the Shareholders' general meetings, such termination shall be considered and disclosed by the Board and the Shareholders' general meetings.

The Company shall disclose the resolutions of the Shareholders' general meetings or the Board resolutions in a timely manner. A law firm shall give professional opinions as to whether the Company's termination of the implementation of the incentive scheme is in compliance with the requirements of the Administrative Measures and relevant laws and regulations and is significantly detrimental to the interests of the Company and the Shareholders as a whole.

If the Scheme is terminated, the Company shall apply for the deregistration of the granted Share Options with the Depository and Clearing Corporation in a timely manner after performing the relevant consideration and approval procedures.

## **I. Rights and obligations of the Company and Participants**

### ***(1) Rights and obligations of the Company***

- (i) The Company is entitled to interpret and execute the Scheme, to conduct performance assessment of the Participants, to supervise and review whether the Participants possess the qualifications to continue to exercise Share Options. If a Participant fails to fulfill the Exercise Conditions required under the Scheme, the Share Option of the Participant that has not been exercised can be cancelled upon the approval of the Board.
- (ii) The Company has the right to require the Participants to perform their responsibilities based on the requirement of the position. If the Participant is incompetent in performing his/her duties or fails in assessment, or the Participant violates the laws and professional ethics, leaks confidential information of the Company, violates the rules and regulations of the Company, and is negligent or gross misconduct in performance of duties, which has caused serious damages to the interests or reputation of the Company, the Share Option of the Participant that has not been exercised can be cancelled upon the approval of the Board.
- (iii) The Company shall withhold and pay individual income tax and other taxes on behalf of the Participants in accordance with the relevant PRC tax laws and regulations.
- (iv) The Company undertakes not to provide loans and financial assistance in any other forms, including provision of guarantee for their loans, to the Participants with respect to the acquisition of relevant Share Options under the Scheme.
- (v) The Company shall timely, truthfully, accurately and completely disclose the information disclosure documents related to the Scheme in accordance with the relevant laws, regulations and normative documents, shall warrant that such documents do not contain false statement, misleading representation or material omission and shall perform relevant reporting obligations under the Scheme in a timely manner.

- (vi) The Company shall handle the issues concerning the exercise of the Share Options for the Participants who fulfill the Exercise Conditions in accordance with the Scheme and relevant regulations of the CSRC, the stock exchange and Depository and Clearing Corporation. The Company shall not be liable for losses incurred by the Participants who fail to complete the exercise of the Share Options caused by the CSRC, the relevant stock exchange and Depository and Clearing Corporation.
- (vii) Other relevant rights and obligations as stipulated under the laws, administrative regulations and normative documents.

**(2) *Rights and obligations of the Participants***

- (i) The Participants shall comply with the requirements of their positions within the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make due contributions to the development of the Company.
- (ii) The Participants shall have the right to and shall exercise their options in accordance with the provisions of the Scheme, and lock up and trade the shares in accordance with the relevant provisions.
- (iii) Source of funds of the Participants shall be derived from funds owned or raised by them.
- (iv) The Share Options granted to the Participants shall not be transferred, used for guarantee or repayment of debts during the Vesting Period. The Share Options are not entitled with voting rights and do not involve in the distribution of bonus shares and dividends before being exercised.
- (v) The Participants shall pay the individual income tax and other taxes and levies for their gains from the Scheme in accordance with the PRC tax laws and regulations.
- (vi) The Participants undertake that, in the event that the Participants become unqualified to be granted with the relevant interest arrangement due to false statements, misleading statements or material omissions contained in the information disclosure documents of the Company, the Participants shall return all interests received from the Scheme to the Company after the confirmation that there are such false statements, misleading statements or material omissions contained in the relevant information disclosure documents in accordance with their commitments.
- (vii) In the case that a Participant become unqualified during the implementation of the Scheme in accordance with requirements of the Article 8 of the Administrative Measures, his/her granted Share Option that are not exercised shall be terminated.

- (viii) If the Participants leave the Company after exercising his/her rights and interests of the Share Options granted to him/her, he/she shall not engage in business similar to or related to that of the Company within two years from the date he/she leaves the Company. If the Participants leave the Company after exercising his/her rights and interests of the Share Options granted to him/her and engages in business similar to or related to that of the Company within two years from the date he/she leaves the Company, the Participants shall return all the income he/she receives from the Scheme to the Company and shall pay the liquidated damages in amount to equivalent the income he/she receives. The Participants shall also be liable for any loss caused to the Company.
- (ix) Other relevant rights and obligations as stipulated by laws, administrative regulations, normative documents and the Scheme.

**(3) *Other explanations***

Upon consideration and approval of the Scheme at the Shareholders' general meeting of the Company, the Company will sign the Share Options Grant Agreement with each Participant whereby the rights and obligations under the Scheme and other relevant matters between the parties are clearly prescribed.

Any disputes between the Company and the Participants shall be resolved in accordance with provisions of the Scheme and the Share Options Grant Agreement. Disputes which are not clearly covered by the provisions shall be resolved in accordance with PRC laws through arm's length negotiation. 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.

The determination of the Participants under the Scheme by the Company does not constitute an undertaking about the employment period of employees. The Company still determines its employment relationship with employees in accordance with the Labor Contract or employment contract signed with the Participants.

**J. Supplemental provisions**

- (1) The Scheme shall take effect after being considered and approved by the Company's Shareholders' general meeting;
- (2) The Scheme shall be interpreted by the Board.

## **2. PROPOSED GRANT UNDER THE A SHARE OPTION INCENTIVE SCHEME**

### **A. Number of the underlying shares in respect of the Share Options under the Grant**

The number of the underlying Shares in respect of the Share Options proposed to be granted pursuant to the Scheme is 5,947,858 A Shares, representing approximately 0.28% of the Company's total issued share capital of 2,146,893,254 Shares as of the date of announcement of the draft Scheme.

### **B. List of Participants and proposed distribution of interests to be granted**



## **C. Exercise Price and basis of determination**

### ***(1) Exercise Price under the First Grant of Share Options***

The Exercise Price under the First Grant of Share Options under the Scheme shall be RMB35.22 per Share. Upon fulfillment of Exercise Conditions, each Share Option granted to the Participants can purchase one Share of the Company at the price of RMB35.22.

### ***(2) Basis of determination of the Exercise Price under the First Grant of Share Options***

The Exercise Price under the First Grant of Share Options shall not be less than the nominal value of the Shares and in principle the higher of:

- (i) 80% of the average trading price of the A Shares of the Company on the trading day immediately preceding the date of announcement of the Scheme (draft), being RMB35.22 per share.
- (ii) 80% of the average trading price of the A Shares of the Company for the 120 trading days immediately preceding the date of announcement of the Scheme (draft), being RMB27.92 per share.

### ***(3) Basis of determination of the Exercise Price of the Reserved Share Options***

The Exercise Price of the Reserved Share Options shall be consistent with the Exercise Price under the First Grant of Share Options, being RMB35.22 per Share.

## **3. MECHANISM FOR SPECIFIC OCCURRENCES TO THE COMPANY OR THE PARTICIPANTS UNDER THE A SHARE OPTION INCENTIVE SCHEME**

### **A. Mechanism for occurrences of the Company**

- (1) On occurrence of any of the following circumstances in respect of the Company, the Scheme shall be terminated and the outstanding Share Options granted under the Scheme that have not been exercised by the Participants shall be cancelled by the Company:
  - (i) issuance of the auditors' report with an adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (ii) issuance of the auditors' report with an adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the Company in its financial report for the most recent accounting year;
  - (iii) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;

- (iv) prohibition from implementation of share incentives by laws and regulations;
  - (v) such other circumstances as determined by the CSRC that shall terminate the Scheme.
- (2) In case of merger or division of the Company, the Board shall decide whether to terminate the Scheme after the merger or division.
  - (3) In case of a change of control of the Company, the Board shall decide whether to terminate the Scheme after the change of control.
  - (4) In case of non-compliance with conditions of the Grant or exercise arrangement for the Share Options by the Company due to false statements, misleading statements or material omissions in the information disclosure documents, the outstanding Share Options shall be cancelled by the Company.

In respect of the Share Options that have been exercised by the relevant Participants, the Participants concerned shall return to the Company all interests granted. The Participants who bear no responsibility for the abovementioned matters and incur losses as a result of the return of the Share Options granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Scheme. The Board shall withdraw the gains by the Participants in accordance with the abovementioned requirements and the relevant arrangements under the Scheme.

## **B. Mechanism for occurrences of the Participants**

### **(1) *Change of position of Participants***

- (i) Where the position of a Participant changes, as long as he or she still works at the Company or subsidiaries thereof, the Share Options granted to him or her shall be exercised in accordance with the procedures set out in the Scheme.
- (ii) If a Participant serves as a Supervisor or an Independent Director or other positions that cannot hold the Share Options due to organizational transfers, his or her exercised Share Options shall remain unchanged, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.
- (iii) Where the position of a Participant changes due to his or her impairment of the interests and reputation of the Company as a result of breach of law, violation of professional ethics, releasing confidential information of the Company, breach of duty or malfeasance, or the Participant's termination of the labor or employment relationship by the Company due to the foregoing reasons, his or her exercised Share Options shall remain unchanged, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.

**(2) *Resignation of the Participant***

In the case of resignation, redundancy and failure to renew the employment contract upon the expiration by the Participants, the Share Options exercised shall not be handled and the Share Options that have been granted but not exercised shall not be exercised, and shall be cancelled by the Company.

**(3) *Retirement of the Participant***

If the Participants retire and are re-hired, the Share Options granted to them will be implemented in accordance with the procedures stipulated in the Scheme which takes effect before their retirement. If the Participants reject the Company's request for continued employment, or if the Participants retire and leave the Company, the exercised Share Options shall not be handled by the Company, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.

**(4) *Resignation of the Participant due to incapacity in working***

- (i) If the Participant resigns due to work injuries and incapacities, the Remuneration Committee shall decide whether that the Share Options granted to the Participants shall be implemented in accordance with the procedures stipulated in the Scheme which takes effect before the occurrence thereof, and his or her personal performance evaluation results will no longer be included in the Exercise Conditions, or that the exercised Share Options shall not be handled and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.
- (ii) If the Participant resigns due to reasons other than work injuries and incapacities, his or her exercised Share Options shall not be handled by the Company, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.

**(5) *Death of Participants***

- (i) If the Participants decease due to their duty, the Remuneration Committee shall decide whether that the Share Options granted to them shall be enjoyed by the designated property heir or legal heir on their behalf, and shall be implemented in full accordance with the procedures stipulated in the Scheme which takes effect before the occurrence thereof, and the results of their personal performance evaluation shall not be included in the Exercise Conditions, or that the exercised Share Options shall not be handled by the Company, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.

- (ii) If the Participants decease at work, the exercised Share Options shall not be handled by the Company, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.

**(6) *Change to the control in the subsidiary where the Participant is working for***

If the Participant serves in the Company's holding subsidiary, and the Company loses control of such subsidiary and the Participant remains in such subsidiary, the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company.

**(7) *Change to eligibility of the Participant***

If the Participant is no longer eligible as a Participant due to one of the following situations, the exercised Share Options by the Participant shall remain unchanged, and the Share Options that have been granted but not exercised shall not be exercised and shall be cancelled by the Company:

- (i) he or she has been determined by stock exchange as an ineligible person in the last 12 months;
- (ii) he or she has been determined by the CSRC or its delegated agencies as an ineligible person in the last 12 months;
- (iii) he or she has been imposed by the CSRC or any of its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material violation of laws and regulations;
- (iv) he or she is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
- (v) he or she is prohibited from participating in share incentives of listed companies as required by laws and regulations;
- (vi) such other circumstances as determined by the CSRC.

**C. Other circumstances**

Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Evaluation Committee.

#### **4. ACCOUNTING TREATMENTS METHOD AND THE MEASUREMENT OF PERFORMANCE IMPACT**

##### **A. Accounting treatment method**

###### **(1) Date of Grant**

Since Share Options cannot be exercised on the Date of Grant, no related accounting treatment is required. The Company will use the Black-Scholes Model on the Date of Grant to determine the fair value of Share Options on the Date of Grant.

###### **(2) Vesting Period**

On each balance sheet date within the Vesting Period, the Company shall recognize the relevant assets costs or current expenses for the services acquired during such period and shall be recognized under “Capital Reserve – Other Capital Reserve” at the fair value of the Share Options on the Date of Grant based on the best estimate of the number of exercisable Share Options.

###### **(3) Accounting treatment after the Exercise Date**

No adjustment shall be made to the confirmed costs and total owner’s equity.

###### **(4) Exercise Date**

If the Exercise Conditions are met on the Exercise Date, the Share Options can be exercised and carried forward to the “Capital Reserve – Other Capital Reserve” recognized on each balance sheet date before the Exercise Date; if all or part of the Share Options become invalid or are abolished due to failure to exercise, it shall be treated in accordance with accounting standards and related regulations.

###### **(5) Fair value and determination of the Share Options**

In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 11-Share-based Payments (《企業會計準則第11號 – 股份支付》) and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (《企業會計準則第22號 – 金融工具確認和計量》), the Company uses the Black-Scholes model (BS model) as the pricing model, and the Company uses this model to make an estimation on the fair value of the Share Options granted based on 17 August 2021 (official calculation will be conducted at the time of Grant). The specific parameters are selected as follows:

- (i) Price of target shares: RMB42.89 per share (closing price on 17 August 2021)

- (ii) Validity Period: 1 year, 2 years, 3 years, 4 years and 5years, respectively (period commencing from Date of Grant and ending on the first date of exercise for each respective period)
- (iii) Historic volatility: 14.73%, 17.44%, 18.71%, 17.92% and 16.55% (annualized volatility for the corresponding period of SSE Composite Index)
- (iv) Risk-free interest rate: 1.50%, 2.10% and 2.75% (based on one-year, two-year, three-year, three-year and above RMB deposit benchmark interest rate, respectively, of financial institutes developed by the People's Bank of China)

**B. Expected impact of the implementation of Share Options on operating performance in each period**

The Company granted 5,353,072 Share Options to the Participants for the First Grant of Share Options. The fair value of the Share Options on the date of Grant was estimated based on the projected fair value of Share Options on the date of Grant which is calculated according to the closing data of the trading day prior to the publication of the draft. The total fair value of the equity instruments granted this time is estimated to be RMB60,332,200 thousand. The total fair value as the Company's incentive cost of the Scheme will be recognized in stages during the implementation of the Scheme in accordance with the exercise percentage, and will be charged to the recurring profit or loss. According to the requirements of the accounting standards, the specific amount shall be subject to the fair value of the Shares calculated on the actual Date of Grant. Assuming that the Company grants Share Options in August 2021, where all the granted Participants meet the Exercise Conditions specified in the Scheme and have exercised during respective Exercise Periods, the amortization of Share Options costs from 2021 to 2026 is as follows:

*Unit: 10'000*

<b>Amortized costs of the Share Options</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
6,033.22	826.72	2,180.92	1,405.03	910.43	517.12	193.00

*Notes:*

1. The above costs are projected costs related to the Grant Price, Grant Date, closing price on Grant Date, number of grants and estimate of the largest number of exercisable equity instruments;
2. Shareholders are reminded to be aware of the possible dilutive effect of the above-mentioned share-based payments;
3. The final impact of the above amortization costs projections on the Company's operating results is subject to the audit report issued by the accountant;
4. Any difference in the mantissa of the sum of the totals and the breakdown in the table above, if any, is due to rounding.

The costs of the Scheme shall be charged to the costs and expenses. Based on the current information, the Company estimates that without considering the positive effect of the Scheme on the Company's performance, the amortization of the costs of the Scheme will have an impact on the net profit each year within the Validity Period, but the impact is not significant. Taking into account the positive effect of the Scheme on the Company's operation and development, which stimulates the enthusiasm of management and business teams, improves operating efficiency, and reduces operating costs, the performance improvement of the Company brought by the Scheme will be higher than the increase in costs caused by it.

## **5. IMPLICATIONS UNDER THE LISTING RULES**

The A Share Option Incentive Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules. Pursuant to the requirements of Rule 14A.92(3)(a) of the Listing Rules, issue of new securities to connected persons of the Company is fully exempted from the requirements of approval by Shareholders, annual review, announcement and circular under Chapter 14A of the Listing Rules. Directors who are the proposed Participants under the proposed A Share Option Incentive Scheme have abstained from voting on the proposed A Share Option Incentive Scheme and/or the proposed Grant to themselves.

## **6. WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

As the Scheme involves the issuance of new A Shares by the Company, Chapter 17 and certain provisions under the Listing Rules are therefore applicable to the Scheme, and the relevant PRC laws and regulations relating to the establishment of the Scheme and the Grant of Share Options are also applicable. Therefore, the Company has complied with the requirements of the relevant PRC laws and regulations as well as the Listing Rules as far as possible when preparing the terms of the Scheme, and will apply to the Hong Kong Stock Exchange for certain waivers from strict compliance with the requirements for Exercise Price and its adjustment under the Rule 17.03 of the Listing Rules.

### ***(1) Waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules regarding the basis of determination of the Exercise Price***

Note (1) to Rule 17.03(9) of the Listing Rules requires that the exercise price of relevant share options must be at least the higher of (i) the closing price of the securities on the date of granting the options; and (ii) the average closing price of the securities for the five business days immediately preceding the date of granting the options. However, the relevant PRC laws and regulations require that the exercise price of A Share Option Incentive Scheme shall be the highest of: (i) the average trading price of the A Shares on the trading day immediately preceding the date of announcement of the A Share Option Incentive Scheme; and (ii) one of the average trading price of the A Shares for the 20/60/120 trading days immediately preceding the date of announcement of the A Share Option Incentive Scheme.



Since the Share Options proposed to be granted under the Scheme involve A Shares only, and the Exercise Price must be determined based on the relevant PRC laws and regulations, the Company will apply to the Hong Kong Stock Exchange for a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules in respect of the Exercise Price of the Share Options proposed to be granted under the Scheme.

For details of the Exercise Price and the basis of determination, see the section headed “Proposed Grant Under the A Share Option Incentive Scheme—Exercise Price and basis of determination” in this announcement.

**(2) *Waiver from strict compliance with Rule 17.03(13) of the Listing Rules regarding the adjustment of Exercise Price in the event of dividend distribution***

Rule 17.03(13) of the Listing Rules required 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 capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital.

On the basis of the following factors, the Company will apply to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 17.03(13) of the Listing Rules regarding the adjustment of Exercise Price in the event of dividend distribution: (i) the proposed terms of the Scheme, including the provision of adjustment of Exercise Price in the event of dividend distribution, are prepared in accordance with the relevant requirements under the PRC laws and regulations and the requirements of the relevant regulatory authorities in the PRC; (ii) the number of A Share Options proposed to be granted under the Scheme is 5,947,858, representing approximately 0.28% of the total issued share capital of the Company and approximately 0.35% of the total issued A Share capital of the Company as at the date of announcement of the draft Scheme. The dilutive impact of the Scheme is minimal. Further, according to the relevant PRC laws and regulations, the issue price of the Shares shall not be below the nominal value of the Shares and therefore, the A Shares shall not be issued at less than its nominal value of RMB0.25 per A Share pursuant to the exercise of the Share Options; and (iii) the A Shares, being the underlying Shares of the Share Options, have been trading at a premium over the H Shares. Taking into account the deviation in the trading prices of the A Shares and H Shares, the dilutive impact on the H Share Shareholders as a result of issue of new A Shares pursuant to the exercise of Share Options is negligible, the adjusted Exercise Price of the Share Options in the event of dividend distribution is expected to remain higher than the then prevailing trading price of the H Shares.



For details of the adjustment of Exercise Price in the event of dividend distribution, see the section headed “Proposed Adoption of the A Share Option Incentive Scheme—Methods of and procedures for adjustment of the Scheme” in this announcement.

## 7. THE SHAREHOLDERS’ GENERAL MEETING

The Scheme is proposed to be considered by Shareholders at the Shareholders’ general meeting. The Company will deliver a circular to Shareholders in due course, stating the terms of the Scheme and the details of the proposed Grant.

## DEFINITIONS

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

“A Share(s)”	RMB-denominated ordinary share(s) of the Company which are issued and subscribed for in RMB in the PRC and are listed on the SSE (stock code: 601865)
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) promulgated by the CSRC
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Company”	福萊特玻璃集團股份有限公司(Flat Glass Group Co., Ltd.*), a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed on the main board of the Stock Exchange and the SSE, respectively
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Date of Grant”	the date on which the Company grants the Share Options to the Participants, which must be a trading day under the SSE Listing Rules
“Depository and Clearing Corporation”	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
“Director(s)”	the director(s) of the Company

“Exercise Conditions”	the conditions required to be satisfied by the Participants to exercise the Share Options under the Scheme
“Exercise Date”	the date on which the Participants are entitled to exercise the Share Options, which must be a trading day under the SSE Listing Rules
“Exercise Period”	the exercise period as set out in the Scheme
“Exercise Price”	the price for the Participants to purchase A Shares, as determined by the Company when the Participants are being granted with the Share Options
“Grant”	a total of 5,947,858 Share Options granted by the Company to the Participants under the Scheme
“H Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB0.25 each, which are subscribed for and traded in Hong Kong dollars, and listed on the Stock Exchange (stock code: 6865)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Director(s)”	the independent non-executive director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Participant(s)”	the middle and senior management and technical personnel who are granted with Share Options under the Scheme
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Remuneration Committee”	the Remuneration Committee under the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme” or “A Share Option Incentive Scheme”	the 2021 A Share Option Incentive Scheme of Flat Glass Group Co., Ltd.
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	A Share(s) and H Share(s)

“Share Options”	the right to be granted to a Participant by the Company to acquire certain number of shares of the Company under the pre-determined conditions in a particular period of time in the future
“Shareholder(s)”	the A Share shareholder(s) and the H Share shareholder(s) of the Company
“SSE”	the Shanghai Stock Exchange
“SSE Listing Rules”	the Shanghai Stock Exchange Listing Rules
“stock exchange”	the SSE and the Stock Exchange
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Validity Period”	the period from the date on which Share Options are granted to the date on which all Share Options are exercised or cancelled
“Vesting Period”	the period from the date on which the registration of the grant of Share Options are completed to the Exercise Date of the Share Options
“%”	percent.

By order of the Board  
**Flat Glass Group Co., Ltd.**  
**Ruan Hongliang**  
*Chairman*

Jiaxing, Zhejiang Province, the People’s Republic of China  
17 August 2021

*As at the date of this announcement, the executive Directors are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong and Mr. Shen Qifu, and the independent non-executive Directors are Ms. Xu Pan, Ms. Hua Fulan and Ms. Ng Yau Kuen Carmen.*

\* *This announcement is prepared in both Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.*