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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **Beijing Jingcheng Machinery Electric Company Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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**北京京城機電股份有限公司**

**Beijing Jingcheng Machinery Electric Company Limited**

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

**(Stock Code: 0187)**

- (1) PROPOSED ADOPTION OF THE RESTRICTED  
SHARE INCENTIVE SCHEME**
- (2) PROPOSED ADOPTION OF THE JINGCHENG MANAGEMENT MEASURES**
- (3) PROPOSED ADOPTION OF THE JINGCHENG GRANT SCHEME**
- (4) PROPOSED AUTHORIZATION TO THE BOARD TO HANDLE  
THE RELEVANT MATTERS RELATED TO THE RESTRICTED  
SHARE INCENTIVE SCHEME**
- (5) NOTICE OF EGM  
AND**
- (6) NOTICE OF H SHARES CLASS MEETING**

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A letter from the Board is set out on pages 5 to 49 of this circular.

A notice convening the EGM to be held at the Conference Room of the Company at No. 6 Rong Chang East Street, Daxing District, Beijing, the PRC on 13 November 2023 at 9:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A notice convening the H Shares Class Meeting to be held at the Conference Room of the Company at No. 6 Rong Chang East Street, Daxing District, Beijing, the PRC on 13 November 2023 at 11:00 a.m. is set out on pages HCM-1 to HCM-3 of this circular.

Whether or not you intend to attend the above meetings, you are requested to complete the respective form of proxy for use at the above meetings in accordance with the instructions printed thereon and return the same to the business address of the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC, or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 24 hours before the time appointed for the convention of the above meetings. The completion and delivery of the form of proxy will not preclude you from attending and voting in person at the above meetings or any adjournment thereof if you so wish.

25 October 2023

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Appendix I – 2023 Restricted A Share Incentive Scheme</b> .....	I-1
<b>Appendix II – the Jingcheng Grant Scheme</b> .....	II-1
<b>Appendix III – the Jingcheng Management Measures</b> .....	III-1
<b>Notice of EGM</b> .....	EGM-1
<b>Notice of H Shares Class Meeting</b> .....	HCM-1

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## DEFINITIONS

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

“A Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE (stock code: 600860)
“A Shares Class Meeting”	the class meeting of A Shareholders
“Articles of Association”	the Articles of Association of Beijing Jingcheng Machinery Electric Company Limited (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Beijing SASAC”	Beijing Municipal People’s Government State-owned Assets Supervision and Administration Commission
“Board”	the board of Directors
“Class Meetings”	A Shares Class Meeting and H Shares Class Meeting
“Company”	Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the main board of the Stock Exchange and the SSE
“Company Law”	the Company Law of the People’s Republic of China
“connected persons”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities and Regulatory Commission
“Directors”	the directors of the Company
“Document 171”	the Notice on Issues concerning Regulating the Implementation of the Shares Incentive Schemes by State-Owned Listed Companies
“Effective Period”	the period from the date of approval at the EGM to the date of expiry of the Unlocking Period of the Restricted Shares or completion of purchase

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## DEFINITIONS

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“EOE”	earnings before interest, taxes, depreciation and amortization (EBITDA)/average net assets
“EGM”	an extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve (among other things) the proposed adoption of the Restricted Share Incentive Scheme, the proposed adoption of the Jingcheng Grant Scheme, the proposed adoption of the Jingcheng Management Measures and the proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme and the matters relating thereto
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants, which must be a trading day
“Grant Price”	the price per share at the time of granting of Restricted Shares to the Participants by the Company
“Guidelines”	Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises
“Guiding Opinions”	Guiding Opinions on the Standardisation of Shareholding and Bonus Incentives for Municipal Enterprises
“H Share(s)”	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange (stock code: 00187)
“H Shares Class Meeting”	the class meeting of H Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Jingcheng Grant Scheme”	the 2023 Restricted Share Grant Scheme of Beijing Jingcheng Machinery Electric Company Limited

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## DEFINITIONS

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“Jingcheng Machinery Electric”	Beijing Jingcheng Machinery Electric Holding Co., Ltd.* (北京京城機電控股有限責任公司), a company incorporated in the PRC and the controlling shareholder of the Company
“Jingcheng Management Measures”	the 2023 Restricted Share Management Measures of Beijing Jingcheng Machinery Electric Company Limited
“Latest Practicable Date”	25 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lock-up Period”	the period during which the Restricted Shares granted to the Participants under the Restricted Share Incentive Scheme are prohibited from being transferred, used as security or to repay debts
“Management Measures”	the Management Measures for Equity Incentives of Listed Companies
“Participant(s)”	employees who are eligible to be granted a certain number of Restricted Shares in accordance with the provisions of the Restricted Share Incentive Scheme
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Restricted Share Incentive Scheme”	the 2023 restricted A Share incentive scheme of the Company
“Restricted Share(s)”	the shares granted by the Company to the Participants in accordance with pre-determined conditions, and the Participants may sell and benefit from the Restricted Shares upon fulfilling the conditions set out in the Restricted Share Incentive Scheme during their tenure or meeting the performance targets
“revenue of the transformative and innovative business”	revenue from hydrogen company products and intelligently manufactured products
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	A Shares and H Shares

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## DEFINITIONS

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“Shareholder(s)”	shareholder(s) of the Company, including A shareholders and H shareholders
“SSE”	the Shanghai Stock Exchange
“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
“Trial Measures”	Trial Measures for Implementing Equity Incentive Plans by State-Controlled Listed Companies (Domestic)
“Unlocking Conditions”	the conditions required to be satisfied for the unlocking of the Restricted Shares awarded to a Participant under the Restricted Share Incentive Scheme
“Unlocking Date”	upon the fulfillment of the conditions for the unlocking of the Restricted Shares under the Restricted Share Incentive Scheme, the date on which the Restricted Shares held by the Participant are released from restriction of sale
“Unlocking Period”	the period during which the Restricted Shares held by a Participant may be released from restriction of sale and listed for circulation after the fulfillment of the conditions for release of restriction of sale under the Restricted Share Incentive Scheme
“%”	percent

\* *For identification purposes only*

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LETTER FROM THE BOARD

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**北京京城機電股份有限公司**

**Beijing Jingcheng Machinery Electric Company Limited**

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

**(Stock Code: 0187)**

*Executive Director:*

Mr. Zhang Jiheng

*Non-executive Directors:*

Mr. Li Junjie

Mr. Wu Yanzhang

Mr. Zhou Yongjun

Mr. Cheng Lei

Ms. Li Chunzhi

Mr. Man Huiyong

*Registered office:*

Room 901, No. 59 Mansion,  
Dongsanhuan Road Central,  
Chaoyang District,  
Beijing,  
PRC

*Independent non-executive Directors:*

Mr. Xiong Jianhui

Mr. Zhao Xuguang

Mr. Liu Jingtai

Mr. Luan Dalong

25 October 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE RESTRICTED SHARE  
INCENTIVE SCHEME**

**(2) PROPOSED ADOPTION OF THE JINGCHENG MANAGEMENT MEASURES**

**(3) PROPOSED ADOPTION OF THE JINGCHENG GRANT SCHEME**

**(4) PROPOSED AUTHORIZATION TO THE BOARD TO HANDLE  
THE RELEVANT MATTERS RELATED TO THE RESTRICTED  
SHARE INCENTIVE SCHEME**

**(5) NOTICE OF EGM**

**AND**

**(6) NOTICE OF H SHARES CLASS MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 24 March 2023 in relation to the proposed adoption of the Restricted Share Incentive Scheme.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with the notice of the EGM, and the notice of the H Shares Class Meeting, and all the information which is necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions for (i) the proposed adoption of the Restricted Share Incentive Scheme and (ii) the proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme at the EGM and the Class Meetings.

### **2. PROPOSED ADOPTION OF THE RESTRICTED SHARE INCENTIVE SCHEME**

The principal terms of the Restricted Share Incentive Scheme are summarized as follows. For the full text, please refer to Appendix I to this circular. A resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, to approve the adoption of the Restricted Share Incentive Scheme.

#### **I. PURPOSE OF THE SCHEME**

The Company has formulated the Restricted Share Incentive Scheme in accordance with the relevant regulations such as the Company Law, the Securities Law, the Trial Measures, the Guidelines, the Document 171, the Management Measures, the Guiding Opinions and the Hong Kong Listing Rules, in conjunction with the management systems currently in place in the Company, including the remuneration system and the performance appraisal system, for the purpose of further establishing and improving the long-term incentive mechanism, attracting and retaining outstanding talents, fully mobilising the enthusiasm of the core personnel of the Company, and effectively integrating the interests of the Shareholders with that of the Company and its employees.

#### **II. SOURCE OF UNDERLYING SHARES**

The Restricted Share Incentive Scheme has adopted Restricted Shares as incentive tools, where the source of the underlying shares is the ordinary A Shares of the Company to be issued to the Participants by the Company.

#### **III. IMPLEMENTATION DATE OF THE RESTRICTED SHARE INCENTIVE SCHEME**

The implementation of the Restricted Share Incentive Scheme is subject to (among other things) the approval by the Board and the Beijing SASAC before it could be considered and approved at the EGM and the Class Meetings convened by the Company.

As at the Latest Practicable Date, the required approval from the Beijing SASAC has been obtained. Please refer to the overseas regulatory announcement of the Company dated 26 June 2023 for details.



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## LETTER FROM THE BOARD

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### IV. PARTICIPANTS AND BASIS FOR DETERMINING THE PARTICIPANTS

#### (I) Basis for determining the Participants

Participants of the Restricted Share Incentive Scheme are determined in accordance with the relevant laws such as the Company Law, the Securities Law, the Trial Measures, the Management Measures, the Guiding Opinions and the Hong Kong Listing Rules and other relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances.

The Participants selected under the Restricted Share Incentive Scheme shall be executive directors, senior management personnel, assistant general managers, middle management personnel, core technical or key business personnel of the Company or its subsidiaries, but shall not be municipal management personnel, independent directors, supervisors and shareholders or actual controllers (and their respective spouse, parents or children) holding more than 5% of the Shares of the Company. All Participants must have qualified employment under the relevant requirements under the Company Law and the Articles of Association, and the basic information of the Participants shall be accurate, without any false statements or misleading statements in or material omissions.

Further, the scope of the Participants under the Restricted Share Incentive Scheme shall comply with the Management Measures and other relevant laws, regulations and regulatory documents, and shall not be of any of the following specified in Article 8 of the Management Measures:

- (i) being determined by the SSE to be an unsuitable person within the last 12 months;
- (ii) being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
- (iii) having been administratively punished or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
- (iv) being prohibited from acting as a Director or a senior management personnel of the Company as stipulated in the Company Law;
- (v) being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
- (vi) other circumstances as determined by the CSRC.

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## LETTER FROM THE BOARD

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### **(II) Scope of Participants**

The initial grant under the Restricted Share Incentive Scheme will be offered to no more than 131 Participants, including executive Directors, senior management personnel, assistant general managers, middle management personnel, core technical and key business personnel, but excluding municipal management personnel, supervisors and external directors. All Participants must have employment relationships with the Company or a subsidiary of the Company or hold positions with signed labour contracts with the Company or a subsidiary of the Company. The basis and selection criteria for the 131 Participants under the initial grant include the employees of the Company who the Company considers shall be incentivized, those with good capability, high contribution and strong influence and those who have a direct impact on the Company's business performance and future development, and are difficult to be replaced.

Part of the Participants under the reserved grant will be determined within 12 months after the Restricted Share Incentive Scheme has been considered and approved by the EGM and the Class Meetings. Following the proposal by the Board, the issuance of confirmatory opinions by the independent non-executive Directors and the Supervisory Committee as well as the issuance of professional opinions and written legal opinions by the legal advisers, the Company shall promptly and accurately disclose the relevant information on the current Participants on the designated website pursuant to the relevant requirements. The Restricted Shares to be granted under the reserved grant shall lapse if the Participants under the reserved grant are not determined after 12 months from the aforesaid date. Such Restricted Shares lapsed in accordance with the terms of the Restricted Share Incentive Scheme will not be regarded as utilised for the purpose of calculating the mandate limit under the Restricted Share Incentive Scheme.

The basis for determining the reserved Participants is determined with reference to the basis for the initial grant.

The following persons shall not be Participants of the Restricted Share Incentive Scheme:

- (1) personnel who have participated in any other listed company's share incentive scheme;
- (2) personnel who have received an "unqualified" result in the party building assessment evaluation;
- (3) personnel who will retire within the next three years;
- (4) personnel who trade the Company's Shares with knowledge of inside information (except in cases where the laws, administrative regulations and relevant judicial interpretations stipulate that such trading is not insider trading); and

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## LETTER FROM THE BOARD

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(5) personnel who disclose inside information which results in insider trading.

In relation to items (4) and (5) above, the Company will conduct a self-inspection on the trading of the Company's Shares and its derivatives within six months preceding the date of announcement on the Restricted Share Incentive Scheme against persons who have knowledge of the inside information to ascertain whether insider trading has taken place.

Before the Company convenes the EGM and the Class Meetings, the Company will publish the list of Participants internally for a publicity period of not less than 10 days. The Supervisory Committee will review the list of Participants, listen fully to the public views and disclose the explanation of the Supervisory Committee on the verification results and publicity status of the list of Participants 5 days prior to the consideration of the Restricted Share Incentive Scheme at the EGM and the Class Meetings. The list of Participants adjusted by the Board shall also be verified by the Supervisory Committee.

### (III) Allocation of the Restricted Shares under the initial grant

The allocation of the Restricted Shares granted under the Restricted Share Incentive Scheme among the various Participants is set out in the table below:

Name	Position	Restricted Share incentive amount ( <i>'0,000 shares</i> )	Percentage of the total number of Restricted Shares granted (%)	Percentage of the total share capital of the Company as at the Latest Practicable Date (%)
Zhang Jiheng	Executive Director	15.00	1.88%	0.03%
Shi Fengwen	Chief Engineer	10.00	1.25%	0.02%
Fung Wingmui	Chief Finance Officer	10.00	1.25%	0.02%
Li Xianzhe	Chief Legal Adviser	10.00	1.25%	0.02%
Luan Jie	Secretary to the Board	10.00	1.25%	0.02%
Other core staff (126 persons):		583.44	73.11%	1.08%
<b>Total initial grant (131 persons)</b>		<b>638.44</b>	<b>80.00%</b>	<b>1.18%</b>
Reserved (30 persons)		159.61	20.00%	0.29%
<b>Total (161 persons)</b>		<b>798.05</b>	<b>100%</b>	<b>1.47%</b>

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## LETTER FROM THE BOARD

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The 131 Participants under the initial grant have been identified. Please refer to the overseas regulatory announcement of the Company dated 28 June 2023 for details.

*Notes:*

- (1) The Participants of the Restricted Share Incentive Scheme have not participated in any share incentive scheme(s) of two or more listed companies and none of the Participants is a substantial Shareholder holding more than 5% of the shares of the Company or an actual controller and their respective spouses, parents and children.
- (2) The total number of the Company's shares granted under all effective share incentive scheme(s) to any of the aforesaid Participants have not exceeded 1% of the total share capital of the Company. No more than 1% of the Company's issued ordinary share capital of A Shares as at the date of approval of the Restricted Share Incentive Scheme has been granted to any one of the above Participants in the past 12 months. The total number of subject shares of the Company involved in all effective incentive scheme(s) of the Company will not exceed 10% of the total issued ordinary A Shares of the Company as at the date of approval of the Restricted Share Incentive Scheme.
- (3) The value of the interests granted to the Directors and senior management members shall be determined at the level of no more than 40% of the total remuneration (including the value of interests granted) at the time of grant, and the value of the interests granted to other Participants such as the key personnel in management, technology and business shall be determined reasonably by the Board. If relevant policies are adjusted within the effective term of the Restricted Share Incentive Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities.
- (4) The total number of the issued shares and shares to be issued for the shares granted to any of the Participants in the past 12 months shall not exceed 0.1% of the total issued ordinary A Shares of the Company as at the date of approval of the Restricted Share Incentive Scheme.

### V. NUMBER OF SHARES GRANTED

The number of Restricted Shares to be granted to the Participants under the Restricted Share Incentive Scheme shall not exceed 7,980,500 shares in total, representing approximately 1.47% of the total share capital of the Company (i.e. 542,270,000 shares) as at the Latest Practicable Date, among which 6,384,400 shares will be granted under the initial grant, representing approximately 1.18% of the total share capital of the Company as at the Latest Practicable Date; and 1,596,100 shares will be reserved, representing approximately 0.29% of the total share capital of the Company as at the Latest Practicable Date. The reserved portion represents approximately 20% of the total equity in this grant.

The total number of the subject shares under all effective share incentive scheme(s) of the Company do not exceed 10% of the total issued ordinary A share capital of the Company as at the date of approval of the Restricted Share Incentive Scheme. As at the Latest Practicable Date, the Company does not have any share scheme subject to Chapter 17 of the Listing Rules other than the proposed Restrictive Share Incentive Scheme. The cumulative number of Restricted Shares to be granted to any one Participant under the Restricted Share Incentive Scheme through all the share incentive schemes in force will not exceed 1% of the total issued ordinary A share capital of the Company.

If the Participants are Directors, general managers, chief executives or substantial Shareholders of the Company, or any of their respective associates, such grant under the Restricted Share Incentive Scheme must be approved by the independent non-executive

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## LETTER FROM THE BOARD

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Directors of the Company must and comply with the relevant requirements of the Hong Kong Listing Rules, and if the number of ordinary A Shares of the Company issued and to be issued in respect of the interests granted to such person through all share incentive scheme(s) in full force and effect exceeds, in aggregate, within the 12-month period ending on the date of his award, 1% of the total number of ordinary A Shares share capital of the Company in issue, then such grant shall be subject to the approval by the Shareholders of the Company at the EGM.

### VI. GRANT PRICE AND BASIS FOR DETERMINATION

#### (I) The initial Grant Price

The initial Grant Price of the Restricted Shares shall be RMB7.33 per Share, which means that upon fulfilment of the grant conditions, each Participant is entitled to purchase the ordinary A Shares of the Company issued to the Participants by the Company at the price of RMB7.33 per Share.

#### (II) Basis for determining the initial Grant Price

The pricing benchmark date of the initial Grant Price of the Restricted Shares is the date of publication of the proposal of the Restricted Share Incentive Scheme. The Grant Price shall not be less than the nominal value of the Shares and shall not be less than 50% of the higher of the following prices:

- (1) Average trading price (total trading amount on the preceding trading day/ total trading volume on the preceding trading day) of the underlying Shares of the Company (i.e., RMB13.87 per Share) on the trading day preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme;
- (2) Closing price of the Company's underlying Shares on the trading day preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme (i.e., RMB13.84 per Share);
- (3) Average closing price of the Company's underlying Shares for the 30 trading days preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme (i.e., RMB14.66 per Share);
- (4) One of the following prices:
  - (i) Average trading price (total trading amount for the last 20 trading days/ total trading volume for the last 20 trading days) of the underlying Shares of the Company (i.e., RMB14.29 per Share) for the 20 trading days preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme;

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## LETTER FROM THE BOARD

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- (ii) Average trading price (total trading amount for the last 60 trading days/total trading volume for the last 60 trading days) of the underlying Shares of the Company (i.e., RMB14.96 per Share) for the 60 trading days preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme;
- (iii) Average trading price (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days) of the underlying Shares of the Company (i.e., RMB14.90 per Share) for the 120 trading days preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme.

### **(III) Basis for determining the reserved Grant Price**

Prior to the grant of the reserved Restricted Shares, a Board meeting shall be convened to consider and approve the relevant resolution. The Grant Price shall not be less than the nominal value of the Shares and shall not be less than 50% of the higher of the following prices:

- (1) Average trading price of the underlying Shares of the Company on the trading day preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount on the preceding trading day/total trading volume on the preceding trading day);
- (2) Closing price of the Company's underlying Shares on the trading day preceding the date of the announcement of the Board resolution on the reserved grant;
- (3) Average closing price of the Company's underlying Shares for the 30 trading days preceding the date of the announcement of the Board resolution on the reserved grant;
- (4) One of the following prices:
  - (i) Average trading price of the Company's underlying Shares for the 20 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 20 trading days/total trading volume for the last 20 trading days);
  - (ii) Average trading price of the Company's underlying Shares for the 60 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 60 trading days/total trading volume for the last 60 trading days);
  - (iii) Average closing price of the Company's underlying Shares for the 120 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days).

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## LETTER FROM THE BOARD

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### **VII. TERM, GRANT DATE, LOCK-UP PERIOD, UNLOCKING PERIOD ARRANGEMENT AND BLACKOUT PERIOD**

#### **(I) Term**

The maximum period from the date of approval at the EGM to the date of unlocking all Restricted Shares granted to the Participants or the date of repurchase shall not exceed 72 months.

#### **(II) Grant Date**

The Grant Date shall be determined after the Restricted Share Incentive Scheme has been submitted by the Board to the EGM and the Class Meetings for consideration and approval. Within 60 days from the date of consideration and approval of the Restricted Share Incentive Scheme at the EGM and the Class Meetings and the fulfillment of the conditions for the grant, the Company will convene a Board meeting to make the grant to the Participants in accordance with the relevant regulations and complete the relevant procedures such as registration and announcement. If the Company fails to complete the above work within 60 days, the implementation of the Restricted Share Incentive Scheme will be terminated and the Restricted Shares not yet granted will lapse. Such Restricted Shares lapsed in accordance with the terms of the Restricted Share Incentive Scheme will not be regarded as utilised for the purpose of calculating the mandate limit under the Restricted Share Incentive Scheme. The reserved portion shall be granted by the Board within 12 months after the Restricted Share Incentive Scheme has been approved by the Shareholders at the EGM and the Class Meetings.

The Grant Date must be a trading day, and the Company must not grant Restricted Shares to the Participants during the following periods:

- (1) Restricted Shares may not be granted after the Company becomes aware of inside information until and including the trading day following the announcement of such information; in particular, Restricted Shares may not be granted within one month prior to the earlier of:
  - (i) the date of the Board meeting (being the date of the Board meeting first notified to the Stock Exchange under the Hong Kong Listing Rules) for approving the Company's results for any year, half-year, quarter or any other interim period (whether or not required by the Hong Kong Listing Rules); and
  - (ii) the deadline for the Company to announce its results for any year or half-year according to the Hong Kong Listing Rules, or the deadline to announce its results for any quarter or any other interim period (whether or not required by the Hong Kong Listing Rules). Such restrictions end on the date of the announcement of the results. No interests may be granted by the Company during any period of delay in publishing the results announcement;

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## LETTER FROM THE BOARD

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- (2) the period of within 10 days prior to the publication of the announcements of estimated results and preliminary results of the Company;
- (3) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Shares and derivatives of the Shares of the Company, or the period commencing from the date of entering into the decision-making procedures to the day of making the relevant disclosure is made in accordance with the laws; and
- (4) other periods as stipulated by the CSRC, SSE and the Stock Exchange.

The aforementioned period during which the Company may not grant the Restricted Shares shall not be included in the 60-day period. Where a Participant who is a Director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, the grant of the Restricted Shares shall be deferred for 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law. The aforementioned postponement shall not be included in the 60-day period.

If the relevant laws, administrative regulations, departmental regulations or regulatory documents change in the future, the new requirements shall prevail.

### **(III) Lock-up Period**

The Lock-up Period is 24 months from the Grant Date of the Restricted Shares to the Participants. During the Lock-up Period, the Restricted Shares granted to the Participants under the Restricted Share Incentive Scheme are restricted from sale, and cannot be transferred, used as security or for repaying debts.

The Shares acquired by the Participants as a result of the capitalization of capital reserve, payment of share dividends and sub-division of shares as a result of the grant of Restricted Shares which have not been released from restriction are also subject to lock-up under the Restricted Share Incentive Scheme. After the release of the lock-up restriction, the Company will unlock the Restricted Shares for those Participants who satisfy the conditions for unlocking the Restricted Shares, and the Restricted Shares held by those Participants who do not satisfy the conditions for unlocking the Restricted Shares will be repurchased by the Company.



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## LETTER FROM THE BOARD

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### (IV) Unlocking Period Arrangement

The unlocking periods of the Restricted Shares under the initial grant and the schedule of each period are set out below:

<b>Unlocking arrangement</b>	<b>Unlocking schedule</b>	<b>Proportion of the Restricted Shares to be unlocked of total number of the Restricted Shares granted</b>
First Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the date of the initial grant to the last trading day upon the expiry of 36 months from the date of the initial grant	34%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the date of the initial grant to the last trading day upon the expiry of 48 months from the date of the initial grant	33%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 48 months from the date of the initial grant to the last trading day upon the expiry of 60 months from the date of the initial grant	33%

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## LETTER FROM THE BOARD

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The unlocking period of the Restricted Shares under the reserved grant and the schedule of each period are set out below:

<b>Unlocking arrangement</b>	<b>Unlocking schedule</b>	<b>Proportion of the Restricted Shares to be unlocked of total number of the Restricted Shares granted</b>
First Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the date of the reserved grant to the last trading day upon the expiry of 36 months from the date of the reserved grant	34%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the date of the reserved grant to the last trading day upon the expiry of 48 months from the date of the reserved grant	33%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 48 months from the date of the reserved grant to the last trading day upon the expiry of 60 months from the date of the reserved grant	33%

### **(V) Blackout Period**

The blackout arrangement under the Restricted Share Incentive Scheme shall be implemented in accordance with the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents as well as the requirements of the Articles of Association. Specific provisions are as follows:

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## LETTER FROM THE BOARD

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- (1) Where the Participants are Directors and senior management members of the Company, they must not transfer more than 25% of the total number of Shares of the Company held during their employment; and no transfer of such Shares of the Company held by them is allowed within six months after their resignation from office.
- (2) Where the Participants are Directors and members of the senior management of the Company and he/she 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 retained by the Company and the Board will collect all such gains.
- (3) For Participant who is a Director or a member of the senior management, the Lock-up Period of 20% of the aggregate number of Restricted Shares granted to him/her shall be extended to the expiry of his/her term of office and whether to unlock the restrictions shall be determined based on his/her performance appraisal or the result of financial responsibility audit during his/her term. Whether a Participant is a Director or a member of the senior management shall be determined based on the position such Participant holds at the time when he/she is granted the Restricted Shares under the Restricted Share Incentive Scheme; the performance appraisal or financial responsibility audit of the Participants refers to those conducted during the terms of office during the year when grants were made to the Participants under the Restricted Share Incentive Scheme.
- (4) If, during the effective period of the Restricted Share Incentive Scheme, there is any amendment to the requirements regarding the transfer of Shares by Directors and members of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the Shares of the Company that are transferred by the Participants during the relevant times.

### VIII. CONDITIONS OF GRANT OF RESTRICTED SHARES AND UNLOCKING CONDITIONS

#### (I) Conditions of grant of Restricted Shares

A grant of Restricted Shares to the Participants under the Restricted Share Incentive Scheme may only be made by the Company if the following conditions are met at the same time:

- (1) *There is no occurrence of any of the following events on the part of the Company:*
  - (i) failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;

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## LETTER FROM THE BOARD

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- (ii) the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
  - (iii) significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
  - (iv) the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with an adverse opinion or an audit report with a disclaimer of opinion by the certified public accountants;
  - (v) any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
  - (vi) where the laws and regulations prohibit the implementation of share incentives; or
  - (vii) other circumstances as determined by the CSRC.
- (2) ***There is no occurrence of any of the following events on the part of the Participants:***
- (i) the results of financial responsibility audit, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
  - (ii) the result of the party building assessment evaluation of the Participant is "unqualified";
  - (iii) any violation of the relevant national laws and regulations and the Articles of Association;
  - (iv) during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and has been punished;
  - (v) failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
  - (vi) being determined by the SSE to be an unsuitable person within the last 12 months;

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## LETTER FROM THE BOARD

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- (vii) being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
  - (viii) having been administratively punished or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
  - (ix) being prohibited from acting as a Director or a senior management personnel of the Company as stipulated in the Company Law;
  - (x) being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
  - (xi) other circumstances as determined by the CSRC.
- (3) *The Company's performance assessment conditions are met, i.e., the following conditions are met under the initial and reserved grants:*
- (i) the EOE of the Company is not less than 5.32% in 2022;
  - (ii) the Company's operating revenue growth rate in 2022 is not less than 10% based on the 2021 operating revenue;
  - (iii) a revenue growth rate of not less than 100% in 2022 for the transformation and innovation category; and
  - (iv) the investment in research and development accounts for no less than 3% of the operating revenue in 2022.

During the effective period of the Restricted Share Incentive Scheme, in the event of a major asset reorganisation of the Company, adjustments to the corresponding performance indicators will be made by the Board pursuant to the approval advice of Jingcheng Machinery Electric and Beijing SASAC.

### **(II) Unlocking Conditions for the Restricted Shares**

During the Unlocking Period, Restricted Shares granted pursuant to the Restricted Share Incentive Scheme can only be unlocked by the Company if the following conditions are met at the same time:

- (1) *There is no occurrence of any of the following events on the part of the Company:*
- (i) failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;

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## LETTER FROM THE BOARD

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- (ii) the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
  - (iii) significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
  - (iv) the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with a negative opinion or an audit report with no opinion by the certified public accountants;
  - (v) any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
  - (vi) where the laws and regulations prohibit the implementation of share incentives; or
  - (vii) other circumstances as determined by the CSRC.
- (2) ***There is no occurrence of any of the following events on the part of the Participants:***
- (i) the results of financial responsibility audit, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
  - (ii) the result of the party building assessment evaluation of the Participant is "unqualified";
  - (iii) any violation of the relevant national laws and regulations and the Articles of Association;
  - (iv) during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and has been punished;
  - (v) failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
  - (vi) being determined by the SSE to be an unsuitable person within the last 12 months;

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## LETTER FROM THE BOARD

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- (vii) being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
- (viii) having been administratively punished or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
- (ix) being prohibited from acting as a Director or a senior management personnel of the Company as stipulated in the Company Law;
- (x) being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
- (xi) other circumstances as determined by the CSRC.

If the requirements in provision (1) above are not satisfied, the Restricted Share Incentive Scheme shall be terminated and all outstanding Restricted Shares granted to all Participants shall be repurchased by the Company; if a Participant fails to satisfy the requirements in provisions (i) – (iv) in (2) above, such Participant shall return the gains derived from the share incentive and the outstanding Restricted Shares shall be repurchased by the Company. The repurchase price shall be the lower of the market price at the time of the repurchase and the Grant Price. If a Participant fails to satisfy the requirements set out in provisions (v) – (xi) in (2) above, the Restricted Shares which may be released from restriction of sale in the year of assessment of such Participant shall not be released from restriction of sale and shall be repurchased by the Company.

### **(III) Performance appraisal requirements at the Company’s level**

Annual appraisal shall be performed for unlocking the Restricted Shares granted under the initial grant and reserved grant of the Restricted Share Incentive Scheme, and the Company’s performance assessment targets shall be met as the Unlocking Conditions for the Participants’ Restricted Shares.

Performance appraisal targets for the Unlocking Period of the Restricted Shares granted under the initial grant and reserved grant of the Restricted Share Incentive Scheme are set out below:

<b>Unlocking Period</b>	<b>Performance appraisal targets</b>
First Unlocking Period	(1) The EOE of the Company in 2024 shall be no less than 7.97% and the growth rate of EOE in 2024 shall be no less than the average level of the industry based on the Company’s EOE in 2021.

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## LETTER FROM THE BOARD

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- (2) The year-on-year growth rate of operating revenue in 2024 shall be no less than 16% and no less than the average level of the industry.
  - (3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2024 shall be no less than 400%.
  - (4) The proportion of research and development investment to operating revenue in 2024 shall not be less than 3.05%.
- Second Unlocking Period
- (1) The EOE of the Company in 2025 shall be no less than 9.30% and the growth rate of EOE in 2025 shall be no less than the average level of the industry based on the Company's EOE in 2021.
  - (2) The year-on-year growth rate of operating revenue in 2025 shall be no less than 16% and no less than the average level of the industry.
  - (3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2025 shall not be less than 450%.
  - (4) The proportion of research and development investment to operating revenue in 2025 shall not be less than 3.10%.
- Third Unlocking Period
- (1) The EOE of the Company in 2026 shall be no less than 10.63% and the growth rate of EOE in 2026 shall be no less than the average level of the industry based on the Company's EOE in 2021.
  - (2) The year-on-year growth rate of operating revenue in 2026 shall be no less than 16% and no less than the average level of the industry.



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## LETTER FROM THE BOARD

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- (3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2026 shall not be less than 500%.
- (4) The proportion of research and development investment to operating revenue in 2026 shall not be less than 3.15%.

During the effective period of the Restricted Share Incentive Scheme, in the event of a major asset reorganisation of the Company, adjustments to the corresponding performance indicators will be made by the Board pursuant to the approval advice of Jingcheng Machinery Electric and Beijing SASAC.

#### **(IV) Performance appraisal of the Participants at individual level**

The Participants are assessed on an annual basis pursuant to the Performance Management Regulations formulated by the Company and the various internal assessment systems of the Company, and the extent of unlocking for the Participants for the year is determined based on the results of the assessment.

In the event that the appraisal conditions for unlocking of the Restricted Shares at the Company level are met, the actual amount of Restricted Shares to be unlocked for a Participant in the year = unlocking ratio × the amount of Restricted Shares to be unlocked by the Participant in the year.

Individual unlocking ratios are determined by the results of the individual's performance appraisal. Different performance appraisal results apply to different unlocking ratios. The unlocking ratios are as follows:

<b>Individual performance appraisal score</b>	<b>85 or above</b>	<b>75-84</b>	<b>70-74</b>	<b>below 70</b>
Unlocking ratio	100%	80%	60%	0%

*Note:* The party building assessment is an indicator for objection. If the Participant fails the party building assessment, there shall be no unlocking of Restricted Shares.

As a result of failing to meet the target of the performance appraisal at the Company level as set out in provision (III) above or the assessment at the individual level as set out in provision (IV) above, all or part of the Restricted Shares of the Participant that have not been unlocked for the current period shall not be unlocked or shall be deferred to the next period to unlock, and shall be repurchased by the Company at the lower of the Grant Price and the market price at the time of repurchase (being the closing price of the Company's shares on the trading day preceding the date of consideration by the Board of the Company for the repurchase of the Restricted Shares of that Participant).

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## LETTER FROM THE BOARD

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### IX. METHODS AND PROCEDURES OF ADJUSTING THE RESTRICTED SHARES

#### (I) Methods of adjusting the number of Restricted Shares

During the period from the date of the announcement on the Restricted Share Incentive Scheme to the completion of registration of the Restricted Shares held by the Participants, in the event of any capitalization issue, bonus issue, sub-division of shares, rights issue, consolidation of shares, etc. made by the Company, the number of Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

##### (1) *Capitalization issue, bonus issue, sub-division of shares*

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

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

##### (2) *Rights issue*

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

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

##### (3) *Share consolidation*

$$Q = Q_0 \times n$$

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

##### (4) *Dividend distribution, additional issue*

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

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## LETTER FROM THE BOARD

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### **(II) Method of adjusting the Grant price of the Restricted Shares**

In the event of any capitalization issue, bonus issue, sub-division of shares, rights issue, share consolidation or dividend distribution etc. made by the Company during the period from the date of the announcement on the Restricted Share Incentive Scheme to the completion of registration of the Restricted Shares held by the Participants, the Grant Price of the Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

#### **(1) Capitalization issue, bonus issue, sub-division of shares**

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio per share resulting from capitalization issue, bonus issue or sub-division of shares;  $P$  represents the Grant Price after the adjustment.

#### **(2) Rights issue**

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the share registration date;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue (i.e., the ratio of the number of Shares to be issued under the rights issue to the Company's total share capital before the rights issue);  $P$  represents the Grant Price after the adjustment.

#### **(3) Share consolidation**

$$P = P_0 \div n$$

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

#### **(4) Dividend distribution**

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per Share;  $P$  represents the Grant Price after the adjustment.  $P$  shall be a positive number after the adjustment for dividend distribution.

#### **(5) Additional issue**

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

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## **LETTER FROM THE BOARD**

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### **(III) Adjustment procedures of the Restricted Share Incentive System**

- (1) The EGM authorizes the Board the right to adjust the number of Restricted Shares or the Grant Price according to the above reasons. The Board shall make an announcement and notify the Participants in a timely manner after adjusting the number of Restricted Shares or the Grant Price in accordance with the above requirements.
- (2) If there is a need to adjust the number of Restricted Shares, the Grant Price or other terms for other reasons, it should be put forward to the EGM and the Class Meetings again for consideration and approval after being considered by the Board.
- (3) The Company should engage lawyers to issue professional opinion to the Board as to whether the above adjustment is in compliance with the requirements of relevant documents of the CSRC or relevant regulatory departments, the Articles of Association and the provisions of the Restricted Share Incentive Scheme.

## **X. PROCEDURES OF IMPLEMENTATION OF THE RESTRICTED SHARE INCENTIVE SCHEME**

### **(I) Procedures for the Restricted Share Incentive Scheme to take effect**

- (1) The Remuneration and Monitoring Committee of the Board is responsible for preparing the proposal of the Restricted Share Incentive Scheme and submitting it to the Board for consideration and approval; the Board shall resolve on the Restricted Share Incentive Scheme in accordance with the law. When the Board considers the Restricted Share Incentive Scheme, any Director who is also a Participant or is a related party to a Participant shall abstain from voting.
- (2) The independent non-executive Directors and the Supervisory Committee shall issue opinions in respect of whether the Restricted Share Incentive Scheme is beneficial to the sustainable development of the Company or whether there is any considerable damage to the interests of the Company and the Shareholders as a whole. A legal opinion on the Restricted Share Incentive Scheme shall be issued by the law firm engaged by the Company and it shall be announced at the same time as the proposal of the Restricted Share Incentive Scheme. The Company will engage an independent financial advisor to give its professional opinion on the feasibility of the Restricted Share Incentive Scheme, whether it is beneficial to the sustainable development of the Company, whether there is any damage to the interests of the Company and the impact on the interests of Shareholders.

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## LETTER FROM THE BOARD

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- (3) The Company shall internally publish the names and positions of the Participants through the Company's website or other channels for a notification period of not less than 10 days before the convening of the EGM and the Class Meetings. The Supervisory Committee shall verify the list of Participants and thoroughly consider any feedbacks. The Company shall publish an explanation on the verification results of the Supervisory Committee on the list of the Participants and the display situation 5 days before the Restricted Share Incentive Scheme is considered at the EGM and the Class Meetings.
- (4) The Company shall conduct a self-inspection on the trading of the Company's Shares by persons who were privy to inside information during the six months prior to the announcement of the proposal of the Restricted Share Incentive Scheme to state whether there is any insider trading.
- (5) The Restricted Share Incentive Scheme shall be submitted to the Beijing SASAC for consideration and approval after being reviewed and approved by Jingcheng Machinery Electric. As at the Latest Practicable Date, such required approval from the Beijing SASAC has been obtained.
- (6) The Company shall issue a notice convening the EGM and the Class Meetings.
- (7) Prior to the convening of the EGM and the Class Meetings to consider and approve the Restricted Share Incentive Scheme, the independent non-executive Directors shall solicit proxy voting rights from all Shareholders regarding the Restricted Share Incentive Scheme. Shareholders and Shareholders of A Shares and H Shares are required to vote on the content of the share incentive scheme under Article 9 of the Management Measures, and such shall be passed by more than 2/3 of the voting rights held by the Shareholders present at the meeting. Except for the Directors, Supervisors and senior management personnel of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other Shareholders shall be separately counted and disclosed.

When the Restricted Share Incentive Scheme is considered at the EGM and the Class Meetings, Shareholders who are Participants or Shareholders who have a connected relationship with the Participants shall abstain from voting thereon.

- (8) The Company shall grant the Restricted Shares to the Participants within the prescribed period upon consideration and approval of the Restricted Share Incentive Scheme at the EGM and the Class Meetings and the fulfilment of grant conditions stipulated under the Restricted Share Incentive Scheme. The Board shall be responsible for the implementation of the work in relation to the grant, unlocking and repurchase of the Restricted Shares in accordance with the mandate granted at the EGM.

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## LETTER FROM THE BOARD

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### (II) Procedures for granting the Restricted Shares

- (1) Following the approval of the Restricted Share Incentive Scheme at the EGM and the Class Meetings, the Remuneration and Monitoring Committee of the Board shall be responsible for drawing up the Restricted Share Grant Scheme.
- (2) The Board shall consider and approve the Restricted Shares grant scheme proposed by the Remuneration and Monitoring Committee.
- (3) The Board shall consider and announce whether the conditions of a grant to a Participant as set out in the Restricted Share Incentive Scheme have been satisfied before the Company makes a grant of interests to such Participant. The independent non-executive Directors and the Supervisory Committee shall both express their confirmatory views; the legal adviser shall issue its legal opinion on whether the conditions for the grant of interests to the Participants have been fulfilled or not; the independent financial adviser shall at the same time give a clear opinion.
- (4) The Supervisory Committee shall verify whether the list of Participants for the grant of Restricted Shares is consistent with those specified in the Restricted Share Incentive Scheme approved at the EGM as well as the Class Meetings.
- (5) The Company shall sign the “Agreement of the Grant of Restricted Shares” with the Participants in order to determine their respective rights and obligations relationships, including the amount and period of time for which the Participants are to pay the Share purchase price.
- (6) The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company according to the Company’s requirement, and have it verified and confirmed by a certified public accountant, otherwise such Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares.
- (7) The Company shall grant the Restricted Shares to the Participants and complete the announcement and registration within 60 days after the Restricted Share Incentive Scheme has been considered and approved at the EGM and the Class Meetings. The Board shall disclose the relevant implementations in a timely manner by way of announcement after completion of the registration of Restricted Shares granted. In the event the Company fails to complete the procedures mentioned above within such 60 days, the implementation of the Restricted Share Incentive Scheme shall be terminated, and the Board shall disclose the reason for such non-completion in a timely manner and shall not reconsider such share incentive scheme within the following three months (any period during which no granting of restricted shares is allowed by a listed company pursuant to the Management Measures shall not be included in the 60-day period).

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## LETTER FROM THE BOARD

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- (8) If a senior management personnel, as a Participant, has reduced his/her holdings of the Company's shares within six months before the grant of the Restricted Shares and there is no case of trading with inside information after verification, the Company may defer the grant of Restricted Shares to such senior management personnel to six months after the date of his/her last reduction transaction in accordance with the provisions of the Securities Law on short-term trading.
- (9) The Company shall make an application to the SSE first before granting any Restricted Shares, and China Clear will conduct the registration and clearing procedures thereof upon confirmation by the SSE.
- (10) After the registration of the grant of the Restricted Shares is completed, if it involves change in the registered capital of the Company, the Company shall go through the procedures in relation to the registration with the relevant administration department for industry and commerce.

### **(III) Procedures for unlocking the Restricted Shares**

- (1) The Company shall confirm whether the Participants have satisfied the Unlocking Conditions before the Unlocking Date. The Board shall consider whether the Unlocking Conditions under the Restricted Share Incentive Scheme have been satisfied. The independent non-executive Directors and the Supervisory Committee shall both express their confirmatory views at the same time. The legal adviser shall issue its legal opinion on whether the conditions for unlocking by the Participants have been fulfilled or not. For the Participants who have satisfied the Unlocking Conditions, the Company shall handle the unlocking procedures on a uniform basis, and for the Participants who have failed to satisfy the Unlocking Conditions, the Company will repurchase such Restricted Shares held by them. The Company shall disclose the implementation thereof in a timely manner by way of announcement.
- (2) A Participant may transfer the unlocked Restricted Shares, but the transfer of Shares held by the Directors and senior management personnel of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.
- (3) Before the Company unlocks the Restricted Shares held by the Participants, the Company shall apply to the SSE, and upon confirmation by the SSE, ChinaClear shall proceed with the relevant registration and clearing matters.

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## LETTER FROM THE BOARD

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### **XI. RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS**

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

- (1) The Company shall have the right to interpret and execute the Restricted Share Incentive Scheme and shall appraise the performance of the Participants based on the requirements under the Restricted Share Incentive Scheme. If a Participant fails to fulfill the Unlocking Conditions required under the Restricted Share Incentive Scheme, the Company will repurchase the corresponding Restricted Shares which have not been unlocked from the Participant in accordance with the principles under the Restricted Share Incentive Scheme.
- (2) Where a Participant has breached his/her obligations of good faith under the Company Law, the Articles of Association or other regulations, or impaired the interests or reputation of the Company as a result of violating the laws, breaching professional ethics, divulging confidential information of the Company, dereliction of duties or malpractice, the Restricted Shares which have not been unlocked shall be repurchased by the Company; in serious cases, the Board shall have the right to recover all or part of the gains made by him/her from his/her unlocked Restricted Shares.
- (3) The Company undertakes not to provide loans and financial assistance in any other forms, including the provision guarantee for loans, to the Participants for acquiring the Restricted Shares under the Restricted Share Incentive Scheme.
- (4) The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Restricted Share Incentive Scheme in accordance with the relevant requirements.
- (5) The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock the Restricted Shares in accordance with the relevant requirements including those of the Restricted Share Incentive Scheme, the CSRC, the SSE and ChinaClear. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons caused by the CSRC, the SSE and the ChinaClear.
- (6) The Company shall withhold and pay on behalf of the Participants the individual income tax and other taxes and fees payable by the Participants according to the relevant provisions of the national tax laws and regulations.
- (7) The Company's determination of the Participants of the Restrictive Shares Incentive Scheme does not imply that the Participants have the right to continue their service with the Company, nor does it constitute a commitment by the Company on the term of employment of the employees.



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## LETTER FROM THE BOARD

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The employment relationship between the Company and the employees shall continue to be governed by the labour contracts signed between the Company and the Participants.

- (8) Other relevant rights and obligations as stipulated by laws and regulations.

### **(II) Rights and obligations of the Participants**

- (1) A Participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (2) A Participant shall be required to observe the restrictions on the sale of the Restricted Shares granted to him/her in accordance with the provisions of the Restricted Share Incentive Scheme. The Restricted Shares granted to the Participant shall not be entitled to any disposal rights such as assignment or use for guarantee or repayment of debts until the Restricted Shares are unlocked.
- (3) Upon completion of the registration by the ChinaClear, the Restricted Shares granted to the Participants shall have the rights, including but not limited to the rights to dividends, rights to rights issue and voting rights, etc. However, during the Lock-up Period, the bonus shares, the capitalization issue shares and rights issue shares derived from the Restricted Shares granted to the Participants are correspondingly locked and cannot be sold in the secondary market or transferred by any other means. The end date for the Lock-up Period of such Shares is the same as that for the Restricted Shares. In the event of liquidation of the Company, the same rights and restrictions mentioned above are attached to the Restricted Shares granted to the Participants, regardless of whether it falls within the Lock-up Period.
- (4) The source of funds shall be self-raised funds of the Participants.
- (5) Any gains for the Participants generated from the Restricted Share Incentive Scheme are subject to individual income tax and other taxes according to the national tax laws and regulations. The Participants agree that the Company shall on behalf of the Participants withhold and pay the aforesaid individual income tax.
- (6) The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with the conditions of granting and exercising of the entitlements, they shall return to the Company all benefits gained through the Restricted Share Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents contain false statement or misleading representations or material omissions.

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## LETTER FROM THE BOARD

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- (7) Upon the consideration and approval of the Restricted Share Incentive Scheme at the EGM and the Class Meetings, the Company shall sign an Agreement of the Grant of Restricted Shares with each Participant to expressly specify the respective rights and obligations under the Restricted Share Incentive Scheme and other related matters.
- (8) Other relevant rights and obligations under the laws, regulations and the Restricted Share Incentive Scheme shall be observed.

### **XII. AMENDMENTS AND TERMINATION OF THE RESTRICTED SHARE INCENTIVE SCHEME**

#### **(I) Procedures for amendments to the Restricted Share Incentive Scheme**

- (1) If the Company intends to amend the Restricted Share Incentive Scheme before it is considered at the EGM and the Class Meetings, such amendments shall be considered and approved by the Board.
- (2) If the Company intends to amend the Restricted Share Incentive Scheme after it has been considered and approved (except for matters authorized at the EGM to the Board) at the EGM and the Class Meetings (for details, please refer to the sub-section “(iii) Proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme” under the section headed “3. Other resolutions in relation to the proposed adoption of the Restricted Share Incentive Scheme” in this circular), such amendments shall be considered and approved at the EGM and the Class Meetings, provided that such amendments shall not result in the following:
  - (i) unlocking of the Restricted Shares in advance; or
  - (ii) reducing the Grant Price.

The independent non-executive Directors and Supervisory Committee shall give independent opinions in respect of whether the Restricted Share Incentive Scheme after amendment may benefit the Company’s sustainable development, and whether there is any considerable damage to the interests of the Company and the Shareholders as a whole. The legal adviser shall issue legal opinion on whether the Restricted Share Incentive Scheme after amendment is in compliance with the Management Measures and the relevant laws and regulations, and whether there is any considerable damage to the interests of the Company and the Shareholders as a whole.

#### **(II) Procedures for termination of the Restricted Share Incentive Scheme**

- (1) If the Company intends to terminate the implementation of the Restricted Share Incentive Scheme before it is considered at the EGM and the Class Meetings, such termination shall be considered and approved by the Board.

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## LETTER FROM THE BOARD

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- (2) If the Company intends to terminate the implementation of the Restricted Share Incentive Scheme after it has been considered and approved at the EGM and the Class Meetings, such termination shall be considered and approved at the EGM and the Class Meetings.
- (3) The legal adviser shall issue professional opinion on whether the termination of the Restricted Share Incentive Scheme is in compliance with the Management Measures and the relevant laws and regulations, and whether there is any considerable damage to the interests of the Company and the Shareholders as a whole.
- (4) Upon termination of the Restricted Share Incentive Scheme, the Restricted Shares that have not been unlocked shall be repurchased by the Company and handled in accordance with the requirements of the Company Law.
- (5) The Company shall make an application to the SSE first before repurchase of the Restricted Shares, and the ChinaClear will conduct the registration and settlement procedure thereof upon confirmation by the SSE.

### **XIII. MEASURES FOR CHANGES TO THE COMPANY AND PERSONAL CIRCUMSTANCES OF THE PARTICIPANTS**

The Restricted Shares returned by the Participants as a result of the changes are repurchased and cancelled by the Company in accordance with the following conditions. Such Restricted Shares cancelled in accordance with the terms of the Restricted Share Incentive Scheme will be regarded as utilised for the purpose of calculating the mandate limit under the Restricted Share Incentive Scheme.

#### **(I) Measures for changes in the Company**

- (1) The implementation of the Restricted Share Incentive Scheme shall be terminated immediately if any of the followings occurs to the Company, and the Restricted Shares which have not been unlocked shall be repurchased at the lower of the Grant Price and market price by the Company:
  - (i) failing to engage an accounting firm to carry out audit in accordance with the prescribed procedures and requirements;
  - (ii) the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department raise major objections to the performance or annual financial report of the Company;
  - (iii) significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;

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## LETTER FROM THE BOARD

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- (iv) the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with an adverse opinion or an audit report with a disclaimer of opinion by the certified public accountants;
  - (v) failure to make profit distribution in accordance with laws and regulations, the Articles of Association and public commitments during the past 36 months after listing;
  - (vi) where the laws and regulations prohibit the implementation of share incentives; or
  - (vii) other circumstances as determined by the CSRC.
- (2) The Restricted Share Incentive Scheme shall continue to be implemented according to its provisions if any of the followings occurs to the Company:
- (i) change in control of the Company; or
  - (ii) circumstances such as merger, spin-off, etc. of the Company.
- (3) The Restricted Shares which have not been released in whole or in part by the Participants for the current period due to the failure of the performance appraisal at the Company level or the appraisal at the individual level shall not be unlocked or deferred to the next period to unlock, and shall be repurchased by the Company at the lower of the Grant Price and the market price at the time of the repurchase (i.e. the closing price of the Company's shares on the trading day preceding the Board's consideration of the repurchase of the Restricted Shares of the Participants).
- (4) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking of the Restricted Shares, all outstanding Restricted Shares shall be repurchased by the Company on a uniform basis, and the Company shall pay interest on the bank deposits for the same period. In respect of the Restricted Shares granted to the Participants and already unlocked, the Participants concerned shall return to the Company all the benefits gained. The Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the Restricted Shares granted may seek compensation from the Company or responsible parties pursuant to the relevant arrangements under the Restricted Share Incentive Scheme.

The Board shall recover the gains received by the Participants in accordance with the aforesaid provisions and the relevant arrangements under the Restricted Share Incentive Scheme.

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## LETTER FROM THE BOARD

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### (II) Measures for changes in the personal circumstances of the Participants

- (1) In case a Participant has a change in job position but still works in the Company or a controlled subsidiary of the Company, the Restricted Shares granted to him/her shall be fully assessed and unlocked by following the procedures as specified before the change of his/her job position.
- (2) If the Participant terminates his/her employment with the Company due to transfer of job, dismissal, retirement, death or incapacity, the exercisable portion (with clear vesting of interests) may be exercised within six months from the date of termination of employment (or when the portion can be exercised) if the exercisable time limit and performance assessment conditions have been met in that year, and the entitlement shall lapse after such six months. Any remaining portion in respect of which the performance assessment conditions for the year are not met will not be released and will be repurchased by the Company at the sum of the Grant Price plus interest earned on time deposits calculated in accordance with the latest benchmark deposit rate issued by the People's Bank of China.
- (3) If the Participant resigns or the employment relationship is terminated due to personal reasons, the Company shall repurchase the Restricted Shares that have not been unlocked at the lower of the Grant Price and the market price.
- (4) When the Participant becomes an independent non-executive Director or a Supervisor who cannot hold the Company's Restricted Shares, the Restricted Shares held by the Participant that have not been unlocked shall be repurchased by the Company according to the sum of the Grant Price together with the interest on time deposits calculated using the latest benchmark deposit rate published by the People's Bank of China for the same period.
- (5) Participant who has failed in performance appraisal or received an "unqualified" result in the party building assessment evaluation, or in the event that any of the circumstances specified in Article 8 of the Management Measures that the Restricted Shares shall not be granted, the Restricted Shares of the Participant that have not been unlocked for the current period shall be repurchased by the Company at the lower of the Grant Price and the market price.
- (6) When any of the followings occurs to a Participant, the Participant shall return the gains from the share incentive to the Company. Restricted Shares that have not been unlocked shall be repurchased by the Company at the lower of the Grant Price and the market price:
  - (i) the results of financial responsibility audits, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;

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## LETTER FROM THE BOARD

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- (ii) during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and has been punished;
  - (iii) failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
  - (iv) performing any act which violates the national laws and regulations, occupational ethics, or dereliction of duty or malpractice, causing severe damage to the interests or the reputation of the Company and causing financial losses, directly or indirectly, to the Company;
  - (v) where a Participant is dismissed due to violation of the Company's rules and regulations, and violation of the relevant provisions of the Company's employee reward and punishment management system or commitment of serious disciplinary offences;
  - (vi) where the Participant is prosecuted as a result of a criminal offence; or
  - (vii) where the Participant causes improper losses to the Company as a result of violating the relevant laws and regulations or the Articles of Association.
- (7) The Board shall determine the handling methods for other situations not specified herein.

#### **XIV. ACCOUNTING TREATMENT FOR THE RESTRICTED SHARES**

##### **(I) Accounting treatment for the Restricted Shares**

In accordance with the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payment, at each balance sheet date within the Lock-up Period, the Company shall make revision to the estimated number of the Restricted Shares which are expected to be unlocked based on the subsequent information such as changes in the latest available number of persons eligible to the unlocking of the Restricted Shares, and the completion of the performance targets, and include the services acquired during such period in the relevant costs or expenses and capital reserve based on the fair value of the Restricted Shares on the Grant Date.

- (1) Accounting treatment on the Grant Date: the “bank deposits”, “treasury stocks” and “capital reserve – share premium” shall be recognized according to the status of the grant of Shares to the Participants by the Company; and liability is recognized for the repurchase obligation.

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## LETTER FROM THE BOARD

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- (2) Accounting treatment during the Lock-up Period: Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognized as costs on each balance sheet date during the Lock-up Period, and the equity or liability of owners will be recognized at the same time.
- (3) Accounting treatment on the Unlocking Date: If the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are lapsed or cancelled since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

### **(II) Fair value of the Restricted Shares and determination method**

The fair value of the Restricted Shares shall be determined according to the market price on the Grant Date and the subscription price paid by the Participant.

### **(III) Impact of Restricted Shares-based payment expenses on the result performance of the Company**

Assuming that the grant is made on 24 March 2023, total expenses of RMB41.5624 million shall be recognized for the initial grant of 6.3844 million Restricted Shares of the Company, such expenses shall be recognized by the Company by phase as per the unlocking proportion in the corresponding year, together with an increase in capital reserve. Details are set out as follows:

<b>Number of Restricted Shares to be granted (’0,000 shares)</b>	<b>Total expenses to be amortized</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
		<i>(RMB ’0,000)</i>				
638.44	4,156.25	1,168.16	1,506.64	958.81	445.60	77.03

After the grant of the Restricted Shares, the Company will announce the audited incentive costs of the Restricted Shares and the cost and expenses recognized each year in the annual report.

The total expenses arising from the share incentive plan will be charged to recurring profit or loss. Based on the current situation, the Company estimates that the amortization of the expenses under the Restricted Share Incentive Scheme will affect the net profit of each year during the validity period without considering the stimulating effect of the Restricted Share Incentive Scheme on the Company’s results performance. However, taking into consideration the positive effects of the Restricted Share Incentive Scheme to the Company’s development, such as boosting the

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## LETTER FROM THE BOARD

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enthusiasm of the management team and improving the operating efficiency, the performance improvement of the Company brought by the Restricted Share Incentive Scheme will outweigh the increase in expenses incurred by it.

### **XV. PRINCIPLES OF REPURCHASE OF RESTRICTED SHARES**

#### **(I) Repurchase price**

Save and except for any adjustment required to be made to the repurchase price under the Restricted Share Incentive Scheme, the repurchase price for the Restricted Shares to be repurchased by the Company under the Restricted Share Incentive Scheme shall be the Grant Price of the relevant Restricted Shares, except as provided in the Restricted Share Incentive Scheme.

#### **(II) Method for adjustment to the repurchase amount**

Upon completion of registration of the Restricted Shares granted to the Participants, in case of any capitalization issue, bonus issue, sub-division of shares, rights issue or share consolidation and other matters, the Company shall make corresponding adjustments to the repurchase amount of the Restricted Shares that have not been unlocked. The method for adjustment is as follows:

##### **(1) Capitalization issue, bonus issue and sub-division of shares**

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

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

##### **(2) Rights issue**

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

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



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## LETTER FROM THE BOARD

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**(3) *Share consolidation***

$$Q = Q_0 \times n$$

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

**(4) *Dividend distribution, additional issue***

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

**(III) Method for adjustment to the purchase price**

Upon completion of registration of the Restricted Shares granted to the Participants, in the event of any capitalization issue, bonus issue, sub-division of shares, rights issue or share consolidation, dividend distribution of the Company that affects the total share capital of the Company or the price of the Company's shares, the Company shall make corresponding adjustments to the repurchase price of the Restricted Shares that have not been unlocked. Adjustments are made as follows:

**(1) *Capitalization issue, bonus issue and sub-division of shares***

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

Where:  $P$  represents the price after adjustment;  $P_0$  represents the price before adjustment;  $n$  represents the ratio per share resulting from the capitalization issue, bonus issue and sub-division of shares (i.e., the number of shares increased per share upon capitalization issue, bonus issue or sub-division of shares).

**(2) *Rights issue***

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

Where:  $P$  represents the price after adjustment;  $P_0$  represents the price before adjustment;  $P_1$  represents the closing price as at the share registration date;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue (i.e., the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue).

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## LETTER FROM THE BOARD

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(3) *Share consolidation*

$$P = P_0 \div n$$

Where: P represents the price after adjustment;  $P_0$  represents the price before adjustment; n represents the ratio per share of consolidation of shares (i.e., 1 share of the Company to be consolidated into n shares).

(4) *Dividend distribution*

$$P = P_0 - V$$

Where:  $P_0$  represents the price before adjustment; V represents the dividend per share; P represents the price after adjustment. P shall be a positive number after the dividend distribution.

(5) *Additional issue*

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

**(IV) Procedures for adjustment of repurchase price and repurchase volume**

- (1) The Board shall be authorized at the EGM to adjust the repurchase price and repurchase volume of Restricted Shares based on the reasons listed above. The Board shall make announcement in a timely manner after adjusting the repurchase price and repurchase volume in accordance with the above provisions.
- (2) If it is necessary to adjust the repurchase price and repurchase volume due to other reasons, a resolution shall be made by the Board, and it shall be considered and approved at the EGM and the Class Meetings.

**(V) Procedures for repurchase**

- (1) The Company shall in a timely manner convene a Board meeting to consider the repurchase price adjustment proposal in accordance with the above provisions, and if necessary, submit the repurchase plan to the EGM and the Class Meetings for approval, and announce the same in a timely manner.
- (2) When the Company implements a repurchase under the Restricted Share Incentive Scheme, it shall be implemented in accordance with the requirements under the Company Law.

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## LETTER FROM THE BOARD

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- (3) The Company shall apply to SSE for handling the relevant procedures of the Restricted Shares when implementing the repurchase under the Restricted Share Incentive Scheme, upon the confirmation by the SSE, the Company shall complete the procedures at ChinaClear in a timely manner, and make an announcement.

### **3. OTHER RESOLUTIONS IN RELATION TO THE PROPOSED ADOPTION OF THE RESTRICTED SHARE INCENTIVE SCHEME**

According to the “Guidelines for the Review of Equity and Dividend Incentives in Municipal State-owned Science and Technology Enterprises” (《市屬國有科技型企業股權和分紅激勵審核工作指引》) issued by the Beijing SASAC, implementation of an equity incentive plan requires the inclusion of three separate documents, namely the draft scheme (as the main document), the grant scheme and management measures (as supporting documents of the draft scheme). In short, the Jingcheng Grant Scheme and Jingcheng Management Measures are supporting documents of the Restricted Share Incentive Scheme, and the contents in the Jingcheng Grant Scheme and Jingcheng Management Measures are consistent with those in the Restricted Share Incentive Scheme.

The following three proposed resolutions are inter-conditional with the proposed resolution to approve the adoption of the Restricted Share Incentive Scheme.

#### **(i) Proposed adoption of the Jingcheng Grant Scheme**

In order to ensure the orderly and efficient implementation of the Restricted Share Incentive Scheme, the Company has drawn up the Jingcheng Grant Scheme in accordance with the relevant provisions of the Management Measures, the Trial Measures and the Guiding Opinions, taking into account the actual situation of the Company.

The full text of the Jingcheng Grant Scheme is set out in Appendix II to this circular. A special resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, to approve the adoption of the Jingcheng Grant Scheme.

#### **(ii) Proposed adoption of the Jingcheng Management Measures**

To ensure the orderly and efficient implementation of the Restricted Share Incentive Scheme and to specify the management organisation of the Incentive Scheme, its duties and responsibilities, implementation procedures, handling of special circumstances, etc., the Company has drawn up the Jingcheng Management Measures in accordance with the relevant provisions of the Management Measures, the Trial Measures and the Guiding Opinions, taking into account the actual situation of the Company.

The full text of the Jingcheng Management Measures is set out in Appendix III to this circular. A special resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, to approve the adoption of the Jingcheng Management Measures.

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## LETTER FROM THE BOARD

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**(iii) Proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme**

For the purpose of implementing the Restricted Share Incentive Scheme, the Board submits for the Shareholders' approval to authorize the Board to handle the following matters related to the Restricted Share Incentive Scheme:

- (1) To authorize the Board to determine the eligibility and conditions of the Participants to participate in the Restricted Share Incentive Scheme and to determine the Grant Date of the Restricted Share Incentive Scheme;
- (2) To authorize the Board to adjust the number of the Restricted Shares and number of the underlying Shares to be granted according to the terms of the Restricted Share Incentive Scheme in the event of capitalization issue, bonus issue, sub-division of share or share consolidation, right issue and dividend distribution of the Company;
- (3) To authorize the Board to adjust the Grant Price of the Restricted Shares according to the terms of the Restricted Share Incentive Scheme in the event of capitalization issue, bonus issue, sub-division of share or share consolidation, right issue and dividend distribution etc., of the Company;
- (4) To authorize the Board to grant Restricted Shares to the Participants when they meet conditions and deal with all matters required for the grant of Restricted Shares, including but not limited to the submission of application to the SSE in respect of the attribution of the Restricted Shares, applying to ChinaClear for registration and clearing services, amending the Articles of Association; and applying to register the change in registered capital of the Company;
- (5) To authorize the Board to review and confirm the eligibility of the Participants for the unlocking qualifications and the Unlocking Conditions, and to agree that the Board shall delegate the exercise of such right to the Remuneration and Monitoring Committee;
- (6) To authorize the Board to determine whether the Restricted Shares of the Participants can be unlocked;
- (7) To authorize the Board to deal with all matters required for unlocking for the Participants, including but not limited to making application to the SSE for unlocking and making application to ChinaClear for registration and settlement;
- (8) To authorize the Board to deal with issues in relation to the unlocking of the Restricted Shares not yet unlocked;

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## LETTER FROM THE BOARD

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- (9) To authorize the Board to determine the Participants, number of grant, Grant Price, Grant Date and all other matters in respect of the reserved grant under the Restricted Shares Incentive Scheme;
- (10) To authorize the Board to decide on the changes and termination of the Restricted Share Incentive Scheme, including but not limited to cancellation of the eligibility of the Participants for the release of Restricted Shares, repurchase and cancellation of the Restricted Shares of the Participants that have not yet been unlocked from Restricted Shares, handling the repurchase and cancellation of the Restricted Shares of the deceased Participants that have not yet been unlocked and the related compensation and inheritance matters, termination of the Restricted Share Incentive Scheme, amendment of the Articles of Association, and registration of changes in registered capital of the Company, etc.;
- (11) To authorize the Board to execute, implement, revise and terminate any agreement relating to the Restricted Share Incentive Scheme and other relevant agreements;
- (12) To authorize the Board to manage and adjust the Restricted Shares Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Restricted Shares Incentive Scheme, subject to compliance with the terms of the Restricted Shares Incentive Scheme. However, if such amendments are subject to approval at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board shall be subject to the corresponding approvals;
- (13) To authorize the Board to implement all other necessary matters in connection with the Restricted Shares Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting.

The Board submits to the EGM to approve that the period of authorization to the Board is consistent with the term of the Restricted Share Incentive Scheme.

A special resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, to approve the authorization to the board to handle the relevant matters related to the Restricted Share Incentive Scheme.

#### **4. LISTING RULES IMPLICATIONS**

Pursuant to the Chapter 17 of the Hong Kong Listing Rules, the Restricted Share Incentive Scheme will constitute a share scheme involving the grant of new shares and share schemes involving the grant of new shares must be approved by the shareholders of the listed issuer at the general meeting. Accordingly, the proposed adoption of the Restricted Share Incentive Scheme will be subject to (among other things) the Shareholders' approval at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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

In addition to the events where adjustment to the Grant Price is required under Rule 17.03(13) of the Hong Kong Listing Rules, the Restricted Share Incentive Scheme also provides for the adjustment to the Grant Price in the event of dividend distribution (the “**Proposed Adjustment**”).

On the basis of the following factors, the Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with Rule 17.03(13) of the Hong Kong Listing Rules in respect of the Proposed Adjustment:

- (i) The Restricted Share Incentive Scheme only entitles the Participants to acquire A Shares but not H Shares of the Company. The Proposed Adjustment is included in the rules of the Restricted Share Incentive Scheme pursuant to the provisions of the Management Measures, the Guidelines, the Guiding Opinions, and the Trading Rules of the Shanghai Stock Exchange, which the Company is required to comply with pursuant to the relevant PRC regulatory requirements according to the PRC legal advisers of the Company.
- (ii) The Proposed Adjustment is in line with the market practice in the PRC.
- (iii) The proposed terms of the Restricted Share Incentive Scheme, including the Proposed Adjustment, are prepared in accordance with the relevant requirements under the PRC laws and the requirements of the relevant regulatory authorities of the PRC, and as disclosed in the overseas regulatory announcement of the Company dated 26 June 2023, such terms have been approved in principle by Beijing SASAC. Any amendment to the terms of the Restricted Share Incentive Scheme, including the Proposed Adjustment will require re-submission of the terms of the Restricted Share Incentive Scheme by the Company to Beijing SASAC for pre-vetting and pre-approval, which will render the result of Beijing SASAC’s pre-approval uncertain and impose undue burden on the Company.
- (iv) The proposed terms of the Restricted Share Incentive Scheme, including the Proposed Adjustment, have been reviewed by the legal advisers to the Company in relation to A Shares, and approved by the independent non-executive Directors, the Supervisory Committee and the Board.
- (v) The total number of Restricted Shares proposed to be granted under the Restricted Share Incentive Scheme shall not exceed 7,980,500 shares in total, representing only approximately 1.47% of the total share capital of the Company (i.e. 542,270,000 shares) as at the Latest Practicable Date. The dilution effect on the shareholding interests of the existing Shareholders will therefore be immaterial. As such, it would not adversely affect the interests of the existing Shareholders.

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## LETTER FROM THE BOARD

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- (vi) As A Shares will be issued upon the unlocking of the Restricted Shares under the Restricted Share Incentive Scheme, the Restricted Share Incentive Scheme is required to comply with the PRC laws. Not only will the terms of the Restricted Share Incentive Scheme be under close scrutiny by Beijing SASAC, but they are also subject to approval by the Shareholders at the EGM and the Class Meetings. The Shareholders will be given the opportunity to make an informed decision as to the adoption of the Restricted Share Incentive Scheme at the EGM and the Class Meetings.

For details of adjustment of the Grant Price under the Restricted Share Incentive Scheme, please refer to Appendix I to this circular.

None of the Directors has any material interest in the Restricted Share Incentive Scheme. Given that Mr. Zhang Jiheng is a grantee of the Restricted Shares, he has abstained from voting on the Board resolution for approving the Restricted Share Incentive Scheme. Save and except for the aforesaid, no other Director has abstained from voting on such Board resolutions.

The EGM and Class Meetings will be convened by the Company to consider and, if thought fit, approve (among other things) the adoption of the Restricted Share Incentive Scheme and matters relating thereto. Shareholders who have material interests in the Restricted Share Incentive Scheme, Shareholders who are Participants and their associates shall abstain from voting on the corresponding resolutions to be proposed at the EGM and/or the Class Meetings.

### **5. RESPONSIBILITY STATEMENT**

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

### **6. RECOMMENDATION**

The salient terms of the Restricted Share Incentive Scheme of the Company are summarized as follows:

#### **1. Participants**

All Participants must have employment relationships with the Company or a subsidiary of the Company or hold positions with signed labour contracts with the Company or a subsidiary of the Company. Part of the Participants under the reserved grant will be determined within 12 months after the Restricted Share Incentive Scheme has been considered and approved by the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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Personnel who have received an “unqualified” result in the party building assessment evaluation and those who will retire within the next three years shall not be included as Participants.

### **2. Lock-up Period of the Restricted Shares**

The effective period of the Restricted Share Incentive Scheme shall not exceed 72 months from the date of approval at the EGM to the date of unlocking all Restricted Shares granted to the Participant or the date of repurchase.

The Lock-up Period shall be 24 months commencing from the granting of Restricted Shares to the Participant, and the Unlocking Periods shall be the first trading day upon the expiry of 24 months, 36 months and 48 months from the date of the initial grant to the last trading day upon the expiry of 36 months, 48 months and 60 months from the date of the initial grant.

### **3. Performance Targets**

The appraisal indicators for the Restricted Share Incentive Scheme are divided into two levels, i.e. performance appraisal at the Company’s level and performance appraisal at the individual level.

The Company selects four indicators as performance appraisal targets, namely the EOE, operating revenue growth rate, revenue growth rate for transformation and innovation category, and proportion of research and development investment in operating revenue. These four indicators can objectively reflect the Company’s return on investment, growth ability and income quality, and are the core indicators reflecting the enterprise’s operational effectiveness and efficiency.

In addition to the performance appraisal at the Company’s level, the Company has established a well-defined performance appraisal system for the Participants, which evaluates comprehensively the performance of the Participants in a precise and all-inclusive manner.

### **4. Basis for Determination of the Grant Price**

The initial Grant Price of the Restricted Shares shall be 50% of the average trading price of the underlying Shares of the Company for the 30 trading days preceding the date of the announcement of the proposal of the Restricted Share Incentive Scheme.



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## LETTER FROM THE BOARD

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The reserved Grant Price of the Restricted Shares shall be 50% of the higher of the following prices:

- (1) Average trading price of the Company's underlying Shares on the trading day preceding the date of the announcement of the Board resolution on the reserved grant;
- (2) Closing price of the Company's underlying Shares on the trading day preceding the date of the announcement of the Board resolution on the reserved grant;
- (3) Average closing price of the Company's underlying Shares for the 30 trading days preceding the date of the announcement of the Board resolution on the reserved grant;
- (4) Average trading price of the Company's underlying Shares for the 20, 60 or 120 trading days preceding the date of the announcement of the Board resolution on the reserved grant.

### **5. Clawback Mechanism**

The Restricted Share Incentive Scheme provides withdrawal channels for Participants who are no longer entitled to holding the Company's Restricted Shares due to transfer of job, dismissal, retirement, death, incapacity, resignation or other circumstances, with clearly defined withdrawal prices set under the respective circumstances. For further details of the clawback mechanism under each different circumstance, please refer to the section headed "XIII. MEASURES FOR CHANGES TO THE COMPANY AND PERSONAL CIRCUMSTANCES OF THE PARTICIPANTS" in the Letter from the Board of the circular.

In summary, the Restricted Share Incentive Scheme of the Company is comprehensive, all-encompassing and operative, the performance targets are scientifically based and reasonable and have binding effects on the Participants, and thereby fulfilling the purpose of the Restricted Share Incentive Scheme. Further, via the initial grant of the Restricted Shares to the 131 Participants under the Restricted Share Incentive Scheme, it can enhance the motivation, proactiveness and creativity of the Participants to achieve the performance targets under the Restricted Share Incentive Scheme, which is in line with the purpose of the Restricted Share Incentive Scheme and is in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, consider that the proposed adoption of the Restricted Share Incentive Scheme, the proposed adoption of the Jingcheng Grant Scheme, the proposed adoption of the Jingcheng Management Measures, and the proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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### 7. THE EGM AND THE CLASS MEETINGS

A notice convening the EGM to be held at the Conference Room of the Company at No. 6 Rong Chang East Street, Daxing District, Beijing, the PRC on 13 November 2023 at 9:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A notice convening the H Shares Class Meeting to be held at the Conference Room of the Company at No. 6 Rong Chang East Street, Daxing District, Beijing, the PRC on 13 November 2023 at 11:00 a.m. is set out on pages HCM-1 to HCM-3 of this circular.

Shareholders who are Participants or Shareholders who have a connected relationship with the Participants shall abstain from voting thereon. Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the resolutions to approve (i) the proposed adoption of the Restricted Share Incentive Scheme and (ii) the proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme and related matters, and therefore will be required to abstain from voting on the relevant resolutions.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of the Shareholders at the EGM and/or the Class Meetings must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Whether or not you intend to attend the above meetings, you are requested to complete the respective form of proxy for use at the above meetings in accordance with the instructions printed thereon and return the same to the business address of the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC, or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 24 hours before the time appointed for the convention of the above meetings. The completion and delivery of the form of proxy will not preclude you from attending and voting in person at the above meetings or any adjournment thereof if you so wish.

Any vote of the Shareholders at the EGM and/or the H Shares Class Meeting shall be taken by poll unless otherwise required by the Hong Kong Listing Rules. For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the General and/or the H Shares Class Meeting, the register of members of the Company will be closed from Thursday, 9 November 2023 to Monday, 13 November 2023 (both days inclusive), during which time no share transfers will be registered. In order to be valid, instrument of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 8 November 2023. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on Thursday, 9 November 2023 are entitled to attend and vote at the EGM and/or the H Shares Class Meeting.

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## LETTER FROM THE BOARD

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### 8. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**Beijing Jingcheng Machinery Electric Company Limited**  
**Luan Jie**  
*Company Secretary*

Stock Abbreviation: Jingcheng Mac

Stock Code: 600860

**Beijing Jingcheng Machinery Electric Company Limited  
2023 Restricted Share Incentive Scheme (Draft)**

March 2023

*Note:* The Restricted Share Incentive Scheme was prepared in Chinese. In the event of any discrepancy between the Chinese version and the English translation, the Chinese version shall prevail.

### **DISCLAIMER**

The Company and all Directors and supervisors guarantee that the contents of this Scheme and its summary do not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for their truthfulness, accuracy and completeness.

All Participants of the Company undertake, where false representations or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with the conditions for the arrangements for granting or exercise of the entitlements, the Participants concerned shall return to the Company all interests gained through this Scheme after it is confirmed that there are false representations or misleading statements in or material omissions from the relevant information disclosure documents.

### **SPECIAL NOTES**

1. This Scheme is formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises (Guo Zi Kao Fen [2020] No. 178), Management Measures for Equity Incentives of Listed Companies, Decision on Amendment of the Management Measures for Equity Incentives of Listed Companies (CSRC Order No.148), Trial Measures for Implementing Equity Incentive Plans by State-Controlled Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No.175), Notice on Issues concerning Regulating the Implementation of the Shares Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No.171), Guiding Opinions on the Standardisation of Shareholding and Bonus Incentives for Municipal Enterprises (Jing Guo Zi Fa [2021] No.20), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other relevant laws, regulations and regulatory documents and the Articles of Association of Beijing Jingcheng Machinery Electric Company Limited.
2. There is no circumstance under which the equity incentive shall not be implemented as stipulated in Article 7 of the Management Measures for Equity Incentives of Listed Companies.
3. There is no circumstance under which Participants of this Scheme shall not become the Participants as stipulated in Article 8 of the Decision on Amendment of the Management Measures for Equity Incentives of Listed Companies.
4. The incentive tool adopted under this Scheme shall be Restricted Shares. The total number of Restricted Shares to be granted to the Participants under this Scheme shall not exceed 7,980,500 shares, representing approximately 1.47% of the total share capital of the Company (i.e. 542,270,000 shares) as at the date of announcement of the draft Scheme, among which 6,384,400 shares will be granted initially, representing approximately 1.18% of the existing total share capital of the Company (i.e.

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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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542,270,000 shares); and 1,596,100 shares will be reserved, representing approximately 0.29% of the total share capital of the Company (i.e. 542,270,000 shares). The reserved portion represents approximately 20% of the total equity in this grant.

The total number of the subject shares under all share incentive scheme(s) of the Company during the Effective Period do not exceed 10% of the total issued ordinary A share capital of the Company as at the date of approval of the Scheme. The cumulative number of Restricted Shares to be granted to any one Participant under the Scheme through all the share incentive schemes in force shall not exceed 1% of the total issued ordinary A share capital of the Company. If the Participants are directors or general managers of the Company or any of their associates, and if the number of ordinary A Shares of the Company issued and to be issued in respect of the interests granted to such person through all share incentive scheme(s) during the Effective Period exceeds, in aggregate, within the 12-month period ending on the date of his award, 0.1% of the total number of ordinary A Shares of the Company in issue, then such grant shall be subject to the approval by the shareholders of the Company at the general meeting.

5. The source of the Restricted Shares shall be the ordinary A shares of Jingcheng Mac issued by the Company to the Participants, The initial Grant Price of the Restricted Shares shall be RMB7.33 per share.
6. In the event of any capitalisation issue, bonus issue, sub-division of shares, consolidation of shares, rights issue, etc. conducted by the Company in the period from the date of announcement of this Scheme to the completion of registration of the Restricted Shares held by the Participants, the Grant Price or the number of Restricted Shares to be granted shall be adjusted accordingly by the Company.
7. The total number of the Participants proposed under this Scheme shall not exceed 161. The initial grant under this Scheme will be offered to no more than 131 Participants, including executive directors, senior management personnel, assistant general managers, middle management personnel, core technical and key business personnel of the Company (including its controlled subsidiaries, same as below), but excluding municipal management personnel, independent directors, supervisors and shareholders individually or collectively holding more than 5% of the shares of the Company or actual controller and their respective spouse, parents or children.

Participants of the reserved portion refer to the Participants who are not yet determined when this Scheme is approved at the general meeting, A share class meeting and H share class meeting but are included in the incentive scheme during the period of subsistence of this Scheme and who are determined within 12 months from the date on which this Scheme is considered and approved at the general meeting, A share and H share class meetings. The basis for determining the reserved Participants is determined with reference to the basis for the initial grant.

8. The maximum period of the Scheme from the date of granting Restricted Shares to the date of unlocking all Restricted Shares granted to the Participants or the date of repurchase shall not exceed 72 months.

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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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9. The Effective Period of the Restricted Shares includes a 24-month Lock-up Period and a 36-month Unlocking Period. During the Lock-up Period, the Restricted Shares granted to the Participants under this Scheme are restricted from sale, and cannot be transferred in any way, used as security or for repaying debts. If the conditions for the unlocking of the Restricted Shares are met, the Restricted Shares granted to the Participants will be unlocked in three batches within the next 36 months in the proportion of 34%, 33% and 33%, respectively.
10. Performance targets for the Restricted Shares granted under the initial grant and reserved grant of this Scheme are:
- (1) the EOE of the Company is not less than 5.32% in 2022.
  - (2) the Company’s operating revenue growth rate in 2022 is not less than 10% based on the 2021 operating revenue.
  - (3) a revenue growth rate of not less than 100% in 2022 for the transformation and innovation category.
  - (4) investment in research and development accounts for not less than 3% of the operating revenue in 2022.
11. Performance targets for the unlocking of the Restricted Shares granted under the initial grant and reserved grant of this Scheme are set out below:

<b>Unlocking Period</b>	<b>Performance Targets</b>
First Unlocking Period	<ol style="list-style-type: none"> <li>(1) The EOE of the Company in 2024 shall be no less than 7.97% and the growth rate of EOE in 2024 shall be no less than the average level of the industry based on the Company’s EOE in 2021.</li> <li>(2) The year-on-year growth rate of operating revenue in 2024 shall be no less than 16% and no less than the average level of the industry.</li> <li>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2024 shall be no less than 400%.</li> <li>(4) The proportion of research and development investment to operating revenue in 2024 shall not be less than 3.05%.</li> </ol>

**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

Unlocking Period	Performance Targets
Second Unlocking Period	<p>(1) The EOE of the Company in 2025 shall be no less than 9.30% and the growth rate of EOE in 2025 shall be no less than the average level of the industry based on the Company’s EOE in 2021.</p> <p>(2) The year-on-year growth rate of operating revenue in 2025 shall be no less than 16% and no less than the average level of the industry.</p> <p>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2025 shall not be less than 450%.</p> <p>(4) The proportion of research and development investment to operating revenue in 2025 shall not be less than 3.10%.</p>
Third Unlocking Period	<p>(1) The EOE of the Company in 2026 shall be no less than 10.63% and the growth rate of EOE in 2026 shall be no less than the average level of the industry based on the Company’s EOE in 2021.</p> <p>(2) The year-on-year growth rate of operating revenue in 2026 shall be no less than 16% and no less than the average level of the industry.</p> <p>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2026 shall not be less than 500%.</p> <p>(4) The proportion of research and development investment to operating revenue in 2026 shall not be less than 3.15%.</p>

*Notes:*

- (1) During the Effective Period of this Scheme, in the event of a major asset reorganisation of the Company, adjustments to the corresponding performance indicators will be made by the Board of the Company pursuant to the approval advice of the Group and Beijing SASAC.
- (2) The “operating revenue” above refers to the audited operating revenue of the Company.
- (3) In the above performance appraisal, EOE refers to cash return on net assets,  $EOE = EBITDA / \text{average net assets}$ , which is a comprehensive indicator reflecting shareholder return and company value creation, in which EBITDA refers to profit before interest, tax, depreciation and amortization, and the data is derived from EBITDA inverse method presented by Wind. Average net worth refers to the arithmetic average of beginning and ending owners’ equity.
- (4) The “revenue of the transformation and innovation category” above refers to the income of hydrogen energy company products and intelligent manufacturing products.



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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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12. The Company undertakes not to provide loans, loan guarantee or any other form of financial assistance to the Participants to obtain Restricted Shares under this Scheme.
13. The implementation of this Scheme is subject to the approval by the Board of Jingcheng Machinery Electric and the Beijing SASAC before it could be considered and approved at the general meeting, A share class meeting and H share class meeting convened by the Company.
14. Within 60 days from the date of consideration and approval of this Scheme at the general meeting, A share class meeting and H share class meeting and the fulfillment of the conditions for the grant, the Company will convene a Board meeting to make the grant to the Participants in accordance with the relevant regulations and complete the relevant procedures such as registration and announcement. If the Company fails to complete the above work within 60 days, the implementation of this Scheme will be terminated and the Restricted Shares not yet granted will lapse. The reserved portion shall be granted by the Board within 12 months after this Scheme has been approved by the shareholders at the general meeting, A share class meeting and H share class meeting.
15. The implementation of this Scheme will not lead to the allocation of shareholding of the Company failing to meet the listing conditions.

**CONTENTS**

<b>Disclaimer</b> .....	I-2
<b>Special Notes</b> .....	I-2
<b>Content</b> .....	I-7
<b>Chapter I Definition</b> .....	I-10
<b>Chapter II Purposes of this Scheme</b> .....	I-13
<b>Chapter III Administrative Bodies of this Scheme</b> .....	I-14
<b>Chapter IV Basis for Determining the Participants and Scope of Participants</b> ..	I-15
I. Basis for Determining the Participants .....	I-15
II. Scope of Participants .....	I-15
III. Verification of the Participants .....	I-16
<b>Chapter V Number and Source of Underlying Shares Involved in this Scheme</b> ..	I-17
I. Source of the Underlying Shares .....	I-17
II. Number of the Underlying Shares .....	I-17
III. Allocation of Restricted Shares to be Granted to Participants .....	I-18
<b>Chapter VI Schedule of this Scheme</b> .....	I-19
I. Effective Period of this Scheme .....	I-19
II. Grant Date of this Scheme .....	I-19
III. Lock-up Period of this Scheme .....	I-20
IV. Unlocking Arrangement of this Scheme .....	I-21
V. Blackout Period of this Scheme .....	I-22
<b>Chapter VII Grant Price and Basis for Determination of Restricted Shares</b> . . . .	I-24
I. The Initial Grant Price .....	I-24
II. Basis for Determining the Initial Grant Price .....	I-24
III. Basis for Determining the Reserved Grant Price .....	I-25

<b>Chapter VIII Conditions of Granting and Unlocking Restricted Shares for the Participants</b> . . . . .	I-26
I. Conditions of Grant of Restricted Shares . . . . .	I-26
II. Unlocking Conditions for the Restricted Shares . . . . .	I-28
<b>Chapter IX Methods and Procedures of Adjusting the Restricted Shares</b> . . . . .	I-33
I. Method of Adjusting the Number of Restricted Shares . . . . .	I-33
II. Method of Adjusting the Grant Price . . . . .	I-34
III. Adjustment Procedures of the Restricted Share Incentive Scheme. . .	I-35
<b>Chapter X Accounting Treatment for the Restricted Shares</b> . . . . .	I-36
I. Accounting Treatment for the Restricted Shares . . . . .	I-36
II. Fair Value of the Restricted Shares and Determination Method. . . . .	I-36
III. Effect of Share-based Payment on the Results Performance of the Company . . . . .	I-36
<b>Chapter XI Procedures for Granting Entitlements and Unlocking by the Company</b> . . . . .	I-38
I. Procedures for the Restricted Share Incentive Scheme to Take Effect. . .	I-38
II. Procedures for Granting the Restricted Shares . . . . .	I-39
III. Procedures for Unlocking the Restricted Shares . . . . .	I-40
<b>Chapter XII Respective Rights and Obligations of the Company and Participants</b> . . . . .	I-42
I. Rights and Obligations of the Company . . . . .	I-42
II. Rights and Obligations of the Participants . . . . .	I-43
<b>Chapter XIII Handling of Unusual Changes in relation to the Company and Participants</b> . . . . .	I-44
I. Handling of Unusual Changes in the Company. . . . .	I-44
II. Changes in the Personal Circumstances of the Participants. . . . .	I-45
III. Resolution of Disputes between the Company and the Participants . . . . .	I-47
<b>Chapter XIV Amendments to and Termination of this Scheme</b> . . . . .	I-48
I. Procedures for Amendments to this Scheme . . . . .	I-48
II. Procedures for Termination of this Scheme. . . . .	I-48

---

**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

---

<b>Chapter XV Principles of Repurchase of Restricted Shares . . . . .</b>	<b>I-50</b>
I. Method for Adjustment of the Repurchase Amount. . . . .	I-50
II. Method for Adjustment of the Repurchase Price. . . . .	I-51
III. Procedures for Adjustment of Repurchase Price and Repurchase Volume . . . . .	I-52
IV. Procedures for Repurchase. . . . .	I-52
<b>Chapter XVI Other Important Matters. . . . .</b>	<b>I-53</b>

**CHAPTER I    DEFINITION**

*Unless otherwise requires, the following expressions herein shall have the following meanings:*

“Jingcheng Mac”, the “Company”	Beijing Jingcheng Machinery Electric Company Limited
“Jingcheng Machinery Electric”, the “Group”	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
“this Scheme”	the 2023 Restricted Share Incentive Scheme of Beijing Jingcheng Machinery Electric Company Limited
“Restricted Share(s)”	the shares granted by the Company to the Participants in accordance with pre-determined conditions, and the Participants may sell and benefit from the Restricted Shares upon fulfilling the conditions set out in the Restricted Share Incentive Scheme during their tenure or meeting the performance targets
“Participant(s)”	employees who are eligible to be granted a certain number of Restricted Shares in accordance with the provisions of this Scheme
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants, which must be a trading day
“Grant Price”	the price per share at the time of granting of Restricted Shares to the Participants by the Company
“Effective Period”	the period from the date of approval at the general meeting to the date of expiry of the Unlocking Period of the Restricted Shares or completion of repurchase
“Lock-up Period”	the period during which the Restricted Shares granted to the Participants under this Scheme are prohibited from being transferred, used as security or to repay debts
“Unlocking Period”	the period during which the Restricted Shares held by a Participant may be released from restriction of sale and listed for circulation after the fulfillment of the conditions for release of restriction of sale under this Scheme

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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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“Unlocking Date”	upon the fulfillment of the conditions for the unlocking of the Restricted Shares under this Scheme, the date on which the Restricted Shares held by the Participant are released from restriction of sale
“Unlocking Conditions”	the conditions required to be satisfied for the unlocking of the Restricted Shares awarded to a Participant under this Scheme
“CSRC”	China Securities and Regulatory Commission
“Beijing SASAC”	Beijing Municipal People’s Government State-owned Assets Supervision and Administration Commission
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Management Measures”	the Management Measures for Equity Incentives of Listed Companies
“Trial Measures”	Trial Measures for Implementing Equity Incentive Plans by State-Controlled Listed Companies (Domestic)
“Guidelines”	Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises
“Document 171”	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies
“Guiding Opinions”	Guiding Opinions on the Standardisation of Shareholding and Bonus Incentives for Municipal Enterprises
“Articles of Association”	the Articles of Association of Beijing Jingcheng Machinery Electric Company Limited

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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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“Hong Kong Listing Rules”      the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“RMB”      Renminbi

*Notes:*

1. Financial data and financial indicators used in this Scheme, unless otherwise specified, refer to the financial data in the consolidated statements and the financial indicators calculated based on such financial data.
2. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

**CHAPTER II   PURPOSES OF THIS SCHEME**

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully mobilize the enthusiasm of core backbone employees, and effectively combine the interests of shareholders, the interests of the Company and the personal interests of employees, this Scheme is formulated in accordance with relevant provisions of the Company Law, the Securities Law, the Trial Measures, the Guidelines, Document 171, the Management Measures, the Guiding Opinions and the Hong Kong Listing Rules, and in combination with the Company's current management system such as the remuneration system and the performance appraisal system.



**CHAPTER III    ADMINISTRATIVE BODIES OF THIS SCHEME**

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of this Scheme. The general meeting may, within its powers and authority, authorize the board of directors to handle certain matters relating to this Scheme.
  
- II. The Board shall act as the executive and administrative body for this Scheme. The Remuneration and Monitoring Committee under the Board shall be responsible for drafting and revising this Scheme and submitting it to the Board for review and approval. Upon approval by the Board, the Scheme shall be put forward to the general meeting, A share class meeting and H share class meeting of the Company for consideration and approval. The Board may handle other matters relating to this Scheme within its scope of authority as delegated by the general meeting, A share class meeting and H share class meeting.
  
- III. The Supervisory Committee and independent directors shall act as the supervisory authority for this Scheme and shall issue opinions as to whether the Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the shareholders as a whole. The Supervisory Committee shall supervise the implementation of this Scheme as to whether it is in compliance with the relevant laws, regulations, regulatory documents and operational rules of the SSE, and shall be responsible for verifying the list of Participants. The independent directors shall solicit voting rights by proxy from all shareholders in respect of this Scheme. In addition, the independent non-executive directors are responsible for prior approval of the granting of Restricted Shares to the directors, chief executives or substantial shareholders of the Company or their respective associates.

Where amendments have been made to the Scheme before it is considered and approved at the general meeting, A share class meeting and H share class meeting of the Company, the independent directors and the Supervisory Committee shall issue independent opinions whether the amended Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the shareholders as a whole.

Before any entitlements are granted to a Participant, the independent directors and the Supervisory Committee shall issue clear opinions on the conditions to be fulfilled for the Participant to receive such entitlements as set out in this Scheme. In the event of any discrepancy between the entitlements granted to a Participant and the arrangement under this Scheme, the independent directors and the Supervisory Committee (where there are changes to the Participants) shall simultaneously issue clear opinions thereon.

Before the exercise of any entitlement by a Participant, the independent directors and the Supervisory Committee shall issue clear opinions as to whether the conditions stipulated under this Scheme for the Participant to exercise such entitlements have been fulfilled.

**CHAPTER IV   BASIS FOR DETERMINING THE PARTICIPANTS AND  
SCOPE OF PARTICIPANTS****I.    Basis for Determining the Participants****(I)    Legal basis for determining the Participants**

Participants of this Scheme are determined in accordance with the relevant laws such as the Company Law, the Securities Law, the Trial Measures, the Management Measures, the Guiding Opinions and the Hong Kong Listing Rules and other relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances.

**(II)    Positions held by Participants in the Company**

Participants of this Scheme are executive directors, senior management personnel, assistant general managers, middle management personnel, core technical and key business personnel of the Company in office at the time of the implementation of this Scheme. Participants of this Scheme exclude municipal management personnel, supervisors and external directors.

**II.    Scope of Participants**

The initial grant under this Scheme will be offered to no more than 131 Participants, including executive directors, senior management personnel, assistant general managers, middle management personnel, core technical and key business personnel. All Participants must have employment relationships with the Company or a subsidiary of the Company or hold positions with signed labour contracts with the Company or a subsidiary of the Company.

All the Participants under this Scheme shall not participate in the share incentive schemes of any other listed companies concurrently and any of the Participants who has participated in the incentive scheme of any other listed company shall not participate in this Scheme.

Personnel who have received an "unqualified" result in the party building assessment evaluation and personnel who will retire within the next three years shall not be included in the scope of Participants.

Participants under the reserved grant portion will be determined within 12 months after this Scheme has been considered and approved at the general meeting and the A share class meeting and H share class meeting. Following the proposal by the Board, the issuance of confirmatory opinions by the independent directors and the Supervisory Committee as well as the issuance of professional opinions and written legal opinions by the legal advisers, the Company shall promptly and accurately disclose the relevant information on the current Participants on the designated website pursuant to the relevant requirements. The Restricted Shares to be granted under the reserved grant shall lapse if the Participants under the reserved grant are not determined after 12 months from the aforesaid date. The basis for determining the reserved Participants is determined with reference to the basis for the initial grant.

**III. Verification of the Participants**

- (I) Upon this Scheme having been considered and approved by the Board, before the Company convenes the general meeting, A share class meeting and H share class meeting, the Company will post the list of Participants internally for a period of not less than 10 days.
  
- (II) The Company will conduct a self-inspection on the trading of the Company's shares and its derivatives within six months preceding the date of announcement on this Scheme against persons who have knowledge of the inside information to ascertain whether insider trading has taken place. Personnel who trade the Company's shares with knowledge of inside information shall not be the Participants, except in cases where the laws, administrative regulations and relevant judicial interpretations stipulate that such trading is not insider trading. A person who discloses inside information which results in insider trading shall not be a Participant.
  
- (III) The Supervisory Committee will review the list of Participants, listen fully to the views about the list and disclose the explanation of the Supervisory Committee on the verification results and views collected on the list of Participants 5 days prior to the consideration of the Restricted Share Incentive Scheme at the general meeting, A share class meeting and H share class meeting. The list of Participants as adjusted by the Board shall also be verified by the Supervisory Committee.

**CHAPTER V   NUMBER AND SOURCE OF UNDERLYING SHARES  
INVOLVED IN THIS SCHEME****I.    Source of the Underlying Shares**

The incentive instruments under this Scheme are Restricted Shares and the source of the shares shall be the ordinary A shares issued by the Company to the Participants under this Scheme.

**II.   Number of the Underlying Shares**

The number of Restricted Shares to be granted to the Participants under this Scheme shall not exceed 7,980,500 shares in total, representing approximately 1.47% of the total share capital of the Company (i.e. 542,270,000 shares) as at the date of the announcement of this draft Scheme, among which 6,384,400 shares will be granted under the initial grant, representing approximately 1.18% of the existing total share capital of the Company (i.e. 542,270,000 shares); and 1,596,100 shares will be reserved, representing approximately 0.29% of the total share capital of the Company (i.e. 542,270,000 shares) as at the date of this announcement. The reserved portion represents approximately 20% of the total equity in this grant.

The total number of the subject shares under all share incentive scheme(s) of the Company during the Effective Period do not exceed 10% of the total issued ordinary A share capital of the Company as at the date of approval of this Scheme. The cumulative number of Restricted Shares to be granted to any Participant under this Scheme through all the share incentive schemes during the Effective Period will not exceed 1% of the total issued ordinary A share capital of the Company.

If the Participants are directors or general managers of the Company or any of their associates, and if the number of ordinary A shares of the Company issued and to be issued in respect of the interests granted to such person through all share incentive scheme(s) in force within the 12-month period ending on the date of his award exceeds, in aggregate, 1% of the total number of ordinary A shares of the Company in issue, then such grant shall be subject to the approval by the shareholders of the Company at the general meeting.

## APPENDIX I 2023 RESTRICTED A SHARE INCENTIVE SCHEME

### III. Allocation of Restricted Shares to be Granted to Participants

The allocation of the Restricted Shares granted under this Scheme among the various Participants is set out in the table below:

No	Name	Position	Incentive amount ('0,000 shares)	Percentage of the total number granted (%)	Percentage of the total share capital (%)
1	Zhang Jiheng	Executive Director	15.00	1.88%	0.03%
2	Shi Fengwen	Chief Engineer	10.00	1.25%	0.02%
3	Fung Wingmui	Chief Finance Officer	10.00	1.25%	0.02%
4	Li Xianzhe	Chief Legal Adviser	10.00	1.25%	0.02%
5	Luan Jie	Secretary to the Board	10.00	1.25%	0.02%
Other core staff (126 persons)			583.44	73.11%	1.08%
Total initial grant (131 persons)			638.44	80.00%	1.18%
Reserved (30 persons)			159.61	20.00%	0.29%
Total (161 persons)			798.05	100%	1.47%

Notes:

1. The Participants of this Scheme have not participated in any two or more share incentive scheme(s) of listed companies and none of the Participants is a substantial Shareholder holding more than 5% of the shares of the Company or an actual controller and their respective spouses, parents and children.
2. The total number of the Company's shares granted under all effective share incentive scheme(s) to any of the aforesaid Participants have not exceeded 1% of the total share capital of the Company. No more than 1% of the Company's issued ordinary share capital of A Shares as at the date of approval of this Scheme has been granted to any one of the above Participants in the past 12 months. The total number of subject shares of the Company involved in all effective incentive scheme(s) of the Company will not exceed 10% of the total issued ordinary A shares of the Company as at the date of approval of the share incentive Scheme.
3. The value of the interests granted to the directors and senior management members shall be determined at the level of no more than 40% of the total remuneration (including the value of interests granted) at the time of grant, and the value of the interests granted to other Participants such as the key management, technology and business personnel shall be determined reasonably by the Board of the Company. If relevant policies are adjusted within the Effective Period of this Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities.
4. The total number of the shares issued and to be issued upon granting to any of the Participants in the past 12 months shall not exceed 0.1% of the total issued ordinary A shares of the Company as at the date of approval of this Scheme.

**CHAPTER VI SCHEDULE OF THIS SCHEME****I. Effective Period of this Scheme**

The maximum period from the date of approval at the general meeting to the date of unlocking all Restricted Shares granted to the Participants or the date of repurchase shall not exceed 72 months.

**II. Grant Date of this Scheme**

The Grant Date shall be determined after this Scheme has been submitted by the Board of the Company to the general meeting and A share class meeting and H share class meeting of the Company for consideration and approval. Within 60 days from the date of consideration and approval of this Scheme at the general meeting and A share class meeting and H share class meeting of the Company and the fulfillment of the conditions for the grant, the Company will convene a Board meeting for making the grant to the Participants in accordance with the relevant regulations and complete the relevant procedures such as registration and announcement. If the Company fails to complete the above work within 60 days, the implementation of this Scheme will be terminated and the Restricted Shares not yet granted will lapse. The reserved portion shall be granted by the Board within 12 months after the Restricted Share Incentive Scheme has been approved by the shareholders at a general meeting and A share class meeting and H share class meeting of the Company.

The Grant Date must be a trading day, and the Company must not grant Restricted Shares to the Participants during the following periods:

- (I) Restricted Shares may not be granted after the Company becomes aware of inside information until and including the trading day following the announcement of such information; in particular, Restricted Shares may not be granted within one month prior to the earlier of:
  - 1. the date of the Board meeting (being the date of the Board meeting first notified to the Stock Exchange under the Hong Kong Listing Rules) for approving the Company's results for any year, half-year, quarter or any other interim period (whether or not required by the Hong Kong Listing Rules); and
  - 2. the deadline for the Company to announce its results for any year or half-year according to the Hong Kong Listing Rules, or the deadline to announce its results for any quarter or any other interim period (whether required by the Hong Kong Listing Rules or not). Such restrictions shall end on the date of the announcement of the results. No such entitlement may be granted by the Company during any period of delay in publishing the results announcement;

- (II) the period within 10 days prior to the publication of the announcements of estimated results and preliminary results of the Company;
- (III) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the shares and derivatives of the shares of the Company, or the period commencing from the date of entering into the decision-making procedures to the day of making the relevant disclosure is made in accordance with the laws; and
- (IV) other periods as stipulated by the CSRC, SSE and the Stock Exchange.

The aforementioned period during which the Company may not grant the Restricted Shares shall not be included in the 60-day period. Where a Participant who is a director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, the grant of the Restricted Shares shall be deferred for 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law. The aforementioned postponement shall not be included in the 60-day period.

If the relevant laws, administrative regulations, departmental regulations or regulatory documents change in the future, the new requirements shall prevail.

### **III. Lock-up Period of this Scheme**

The Lock-up Period is 24 months from the Grant Date of the Restricted Shares to the Participants. During the Lock-up Period, the Restricted Shares granted to the Participants under this Scheme are restricted from sale, and cannot be transferred, used as security or for repaying debts. The shares acquired by the Participants as a result of the capitalization of capital reserve, payment of share dividends and sub-division of shares as a result of the grant of Restricted Shares which have not been released from restriction are also subject to lock-up under this Scheme. After the release of the lock-up restriction, the Company will unlock the Restricted Shares for those Participants who satisfy the conditions for unlocking the Restricted Shares, and the Restricted Shares held by those Participants who do not satisfy the conditions for unlocking the Restricted Shares will be repurchased by the Company.

**IV. Unlocking Arrangement of this Scheme**

The Unlocking Periods of the Restricted Shares under the initial grant of this Scheme and the schedule of each period are set out below:

<b>Unlocking arrangement</b>	<b>Unlocking schedule</b>	<b>Proportion of the Restricted Shares to be unlocked of total number of the Restricted Shares granted</b>
First Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the date of the initial grant to the last trading day upon the expiry of 36 months from the date of the initial grant	34%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the date of the initial grant to the last trading day upon the expiry of 48 months from the date of the initial grant	33%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 48 months from the date of the initial grant to the last trading day upon the expiry of 60 months from the date of the initial grant	33%



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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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The Unlocking Periods of the Restricted Shares under the reserved grant of this Scheme and the schedule of each period are set out below:

<b>Unlocking arrangement</b>	<b>Unlocking schedule</b>	<b>Proportion of the Restricted Shares to be unlocked of total number of the Restricted Shares granted</b>
First Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the date of the reserved grant to the last trading day upon the expiry of 36 months from the date of the reserved grant	34%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the date of the reserved grant to the last trading day upon the expiry of 48 months from the date of the reserved grant	33%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 48 months from the date of the reserved grant to the last trading day upon the expiry of 60 months from the date of the reserved grant	33%

**V. Blackout Period of this Scheme**

The blackout arrangement under this Scheme shall be implemented in accordance with the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents as well as the requirements of the Articles of Association. Specific provisions are as follows:

1. Where the Participants are directors and senior management members of the Company, they must not transfer more than 25% of the total number of shares of the Company held during their employment; and no transfer of such shares of the Company held by them is allowed within six months after their resignation from office.

2. Where the Participants are directors and members of the senior management of the Company and he/she 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 retained by the Company and the Board will collect all such gains.
3. For a Participant who is a director or a member of the senior management, the Lock-up Period of 20% of the aggregate number of Restricted Shares granted to him/her shall be extended to the expiry of his/her term of office and whether to unlock the restrictions shall be determined based on his/her performance appraisal or the result of financial responsibility audit during his/her term.

Whether a Participant is a director or a member of the senior management shall be determined based on the position such Participant holds at the time when he/she is granted the Restricted Shares under this Scheme; the performance appraisal or financial responsibility audit of the Participants refers to those conducted during the terms of office during the year when grants were made to the Participants under this Scheme.

4. If, during the Effective Period of this Scheme, there is any amendment to the requirements regarding the transfer of shares by directors and members of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares of the Company that are transferred by the Participants during the relevant times.

**CHAPTER VII GRANT PRICE AND BASIS FOR DETERMINATION OF RESTRICTED SHARES****I. The Initial Grant Price**

The initial Grant Price of the Restricted Shares shall be RMB7.33 per share, which means that upon fulfilment of the grant conditions, each Participant is entitled to purchase the ordinary A shares of the Company issued to the Participant by the Company at the price of RMB7.33 per share.

**II. Basis for Determining the Initial Grant Price**

The pricing benchmark date of the initial Grant Price of the Restricted Shares is the date of publication of the proposal of this Scheme. The Grant Price shall not be less than the nominal value of the shares and shall not be less than 50% of the higher of the following prices:

1. Average trading price (total trading amount on the preceding trading day/total trading volume on the preceding trading day) of the underlying shares of the Company (i.e., RMB13.87 per share) on the trading day preceding the date of the announcement of the proposal of this draft Scheme;
2. Closing price of the Company's underlying shares on the trading day preceding the date of the announcement of the proposal of this draft Scheme (i.e., RMB13.84 per share);
3. Average closing price of the Company's underlying shares for the 30 trading days preceding the date of the announcement of the proposal of this draft Scheme (i.e., RMB14.66 per share);
4. One of the following prices:
  - (1) Average trading price (total trading amount for the last 20 trading days/ total trading volume for the last 20 trading days) of the underlying shares of the Company (i.e., RMB14.29 per share) for the 20 trading days preceding the date of the announcement of the proposal of this draft Scheme;
  - (2) Average trading price (total trading amount for the last 60 trading days/ total trading volume for the last 60 trading days) of the underlying shares of the Company (i.e., RMB14.96 per Share) for the 60 trading days preceding the date of the announcement of the proposal of this draft Scheme;
  - (3) Average trading price (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days) of the underlying shares of the Company (i.e., RMB14.90 per Share) for the 120 trading days preceding the date of the announcement of the proposal of this draft Scheme.

**III. Basis for Determining the Reserved Grant Price**

Prior to the grant of the reserved Restricted Shares, a Board meeting shall be convened to consider and approve the relevant resolution. The Grant Price shall not be less than the nominal value of the shares and shall not be less than 50% of the higher of the following prices:

1. Average trading price of the underlying shares of the Company on the trading day preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount on the preceding trading day/total trading volume on the preceding trading day);
2. Closing price of the Company's underlying shares on the trading day preceding the date of the announcement of the Board resolution on the reserved grant;
3. Average closing price of the Company's underlying shares for the 30 trading days preceding the date of the announcement of the Board resolution on the reserved grant;
4. One of the following prices:
  - (1) Average trading price of the Company's underlying shares for the 20 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 20 trading days/total trading volume for the last 20 trading days);
  - (2) Average trading price of the Company's underlying shares for the 60 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 60 trading days/total trading volume for the last 60 trading days);
  - (3) Average closing price of the Company's underlying shares for the 120 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days).

**CHAPTER VIII    CONDITIONS OF GRANTING AND UNLOCKING RESTRICTED  
SHARES FOR THE PARTICIPANTS**

**I.    Conditions of Grant of Restricted Shares**

Granting of Restricted Shares to the Participants under this Scheme may only be made by the Company if the following conditions are met at the same time:

**(I)    There is no occurrence of any of the following events on the part of the Company:**

1. failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;
2. the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
3. any significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
4. the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with an adverse opinion or an audit report with a disclaimer of opinion by the certified public accountants;
5. any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
6. where the laws and regulations prohibit the implementation of share incentives; or
7. other circumstances as determined by the CSRC.

**(II)    There is no occurrence of any of the following events on the part of the Participants:**

1. the results of financial responsibility audit, etc. indicate that there is failure in performing duties effectively or serious dereliction of duty or malpractice;
2. the Participant fails to pass the party building assessment evaluation;
3. violation of the relevant national laws and regulations and the Articles of Association;
4. the Participant has committed any illegal and disciplinary acts during his/her service such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets,

implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and punishment has been imposed;

5. failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
6. being determined by SSE to be an unsuitable person within the last 12 months;
7. being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
8. having been imposed administrative punishment or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
9. being prohibited from acting as a director or a senior management personnel of the Company as stipulated in the Company Law;
10. being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
11. other circumstances as determined by the CSRC.

**(III) The Company's performance assessment conditions are met, i.e., the following conditions are fulfilled under the initial and reserved grants:**

1. the EOE of the Company is not less than 5.32% in 2022.
2. the Company's operating revenue growth rate in 2022 is not less than 10% based on the 2021 operating revenue.
3. a revenue growth rate of not less than 100% in 2022 for the transformation and innovation business category.
4. the investment in research and development accounts for no less than 3.00% of the operating revenue in 2022.

*Note:* (The same below)

- (1) During the Effective Period of this Scheme, in the event of a major asset reorganization of the Company, adjustments to the corresponding performance indicators will be made by the Board of the Company pursuant to the approval advice of the Group and Beijing SASAC.
- (2) "Operating revenue" refers to the audited operating revenue of the Company.

- (3) EOE refers to cash return on net assets,  $EOE = \text{EBITDA} / \text{average net assets}$ , which is a comprehensive indicator reflecting shareholder return and company value creation, in which EBITDA refers to profit before interest, tax, depreciation and amortization, and the data is derived from EBITDA inverse method presented by Wind. Average net worth refers to the Arithmetic average of beginning and ending owners' equity.
- (4) The above "revenue from the transformation and innovation business" refers to the income of hydrogen energy company products and intelligent manufacturing products.

## **II. Unlocking Conditions for the Restricted Shares**

During the Unlocking Period, Restricted Shares granted pursuant to this Scheme can only be unlocked by the Company if the following conditions are met at the same time:

### **(I) There is no occurrence of any of the following events on the part of the Company:**

1. failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;
2. the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
3. significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
4. the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with an adverse opinion or an audit report with a disclaimer of opinion by the certified public accountants;
5. any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
6. where the laws and regulations prohibit the implementation of share incentives; or
7. other circumstances as determined by the CSRC.

### **(II) There is no occurrence of any of the following events on the part of the Participants:**

1. the results of financial responsibility audit, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
2. the result of the party building assessment evaluation of the Participant is "unqualified";

3. any violation of the relevant national laws and regulations and the Articles of Association;
4. during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and punishment has been imposed;
5. failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
6. being determined by SSE to be an unsuitable person within the last 12 months;
7. being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
8. having been imposed administrative punishment or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
9. being prohibited from acting as a director or a senior management personnel of the Company as stipulated in the Company Law;
10. being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
11. other circumstances as determined by the CSRC.

If the requirements in provision (I) above are not satisfied, this Scheme shall be terminated and all outstanding Restricted Shares granted to all Participants shall be repurchased by the Company; if a Participant fails to satisfy the requirements in provisions 1 – 4 in (II) above, such Participant shall return the gains derived from the share incentive and the outstanding Restricted Shares shall be repurchased by the Company. The repurchase price shall be the lower of the market price at the time of the repurchase and the Grant Price. If a Participant fails to satisfy the requirements set out in provisions 5 – 11 in (II) above, the Restricted Shares which may be released from restriction of sale in the year of assessment of such Participant shall not be released from restriction of sale and shall be repurchased by the Company.

### **(III) Performance appraisal requirements at the Company's level**

Annual appraisal shall be performed for unlocking the Restricted Shares granted under the initial grant and reserved grant of this Scheme, and the Company's performance targets shall be met as the Unlocking Conditions for the Participants' Restricted Shares.



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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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Performance targets for the Unlocking Period of the Restricted Shares granted under the initial grant and reserved grant of this Scheme are set out below:

<b>Unlocking Period</b>	<b>Performance targets</b>
First Unlocking Period	<ol style="list-style-type: none"><li>(1) The EOE of the Company in 2024 shall be no less than 7.97% and the growth rate of EOE in 2024 shall be no less than the average level of the industry based on the Company's EOE in 2021.</li><li>(2) The year-on-year growth rate of operating revenue in 2024 shall be no less than 16% and no less than the average level of the industry.</li><li>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2024 shall be no less than 400%.</li><li>(4) The proportion of research and development investment to operating revenue in 2024 shall not be less than 3.05%.</li></ol>
Second Unlocking Period	<ol style="list-style-type: none"><li>(1) The EOE of the Company in 2025 shall be no less than 9.30% and the growth rate of EOE in 2025 shall be no less than the average level of the industry based on the Company's EOE in 2021.</li><li>(2) The year-on-year growth rate of operating revenue in 2025 shall be no less than 16% and no less than the average level of the industry.</li><li>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2025 shall not be less than 450%.</li><li>(4) The proportion of research and development investment to operating revenue in 2025 shall not be less than 3.10%.</li></ol>

Unlocking Period	Performance targets
Third Unlocking Period	<p>(1) The EOE of the Company in 2026 shall be no less than 10.63% and the growth rate of EOE in 2026 shall be no less than the average level of the industry based on the Company’s EOE in 2021.</p> <p>(2) The year-on-year growth rate of operating revenue in 2026 shall be no less than 16% and no less than the average level of the industry.</p> <p>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2026 shall not be less than 500%.</p> <p>(4) The proportion of research and development investment to operating revenue in 2026 shall not be less than 3.15%.</p>

**(IV) Selection of industry peers for the purpose of granting and unlocking appraisal**

All listed companies under the CSRC industry “CSRC Manufacturing - CSRC special equipment manufacturing” classification are selected for comparison this time.

During the Effective Period of this Scheme, in the event of a major asset reorganization of the Company, adjustments to the corresponding performance indicators shall be made by the Board of the Company pursuant to the approval and advice of the Group and Beijing SASAC.

**(V) Performance appraisal of the Participants at individual level**

The Participants are assessed on an annual basis pursuant to the Performance Management Regulations formulated by the Company and the various internal assessment systems of the Company, and the extent of unlocking for the Participants for the year is determined based on the results of the assessment.

In the event that the appraisal conditions for unlocking of the Restricted Shares at the Company level are met, the actual amount of Restricted Shares to be unlocked for a Participant in the year = unlocking ratio × the amount of Restricted Shares to be unlocked by the Participant in the year.

Individual unlocking ratios are determined by the results of the individual’s performance appraisal. Different unlocking ratios apply to different performance appraisal results.

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**APPENDIX I            2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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Individual performance appraisal score	85 or above	75-84	70-74	Below 70
Unlocking ratio	100%	80%	60%	0

*Note:* The party building assessment is a negative indicator. If the Participant fails in the party building assessment, his/her Restricted Shares shall not be unlocked.

As a result of failing to meet the performance target at the Company level or the assessment at the individual level, all or part of the Restricted Shares of the Participant that have not been unlocked for the current period shall not be unlocked or shall be deferred to the period that follows for unlocking, and shall be repurchased by the Company at the lower of the Grant Price and the market price at the time of repurchase. The “market price at the time of repurchase” represents the closing price of the Company’s shares on the trading day preceding the date of consideration by the Board of the Company for the repurchase of the Restricted Shares of that Participant.

**(VI) The scientific basis and rationale of the appraisal indicators**

The appraisal indicators for the Restricted Share Incentive Scheme of the Company are divided into two levels, i.e. performance appraisal at the Company level and performance appraisal at the individual level.

The Company selects the four indicators of EOE, operating revenue growth rate, revenue growth rate for transformation and innovation category, and proportion of research and development investment in operating revenue as performance appraisal indicators. These four indicators can objectively reflect the Company’s return on investment, growth ability and income quality, and are the core indicators reflecting the enterprise’s operational effectiveness and efficiency. Through reasonable projection as well as taking into account the incentives to be provided by this Scheme, the Company set up the aforementioned performance targets at the Company level for this Scheme.

In addition to the performance appraisal at the Company level, the Company has established a well-defined performance appraisal system for the Participants, which evaluates comprehensively the performance of the Participants in a precise and all-inclusive manner. The Company will determine whether the Participants meet the Unlocking Conditions based on their performance appraisal results for the previous year.

In conclusion, in setting the appraisal indicators, the Company has fully considered the operating environment and future development plan of the Company and the setting of such appraisal indicators are reasonable.

**CHAPTER IX    METHODS AND PROCEDURES OF ADJUSTING THE  
RESTRICTED SHARES****I.    Methods of Adjusting the Number of Restricted Shares**

During the period from the date of the announcement of this draft Scheme to the completion of registration of the Restricted Shares held by the Participants, in the event of any capitalization issue, bonus issue, sub-division of shares, rights issue, consolidation of shares, etc. made by the Company, the number of Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

**1.    *Capitalization issue, bonus issue, sub-division of shares***

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

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

**2.    *Rights issue***

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

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

**3.    *Share consolidation***

$$Q = Q_0 \times n$$

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

**4.    *Dividend distribution, additional issue***

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

**II. Method of Adjusting the Grant Price**

In the event of any capitalization issue, bonus issue, sub-division of shares, rights issue, share consolidation or dividend distribution etc. made by the Company during the period from the date of the announcement on this Scheme to the completion of registration of the Restricted Shares held by the Participants, the Grant Price of the Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

**1. Capitalization issue, bonus issue, sub-division of shares**

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio per share resulting from capitalization issue, bonus issue or sub-division of shares;  $P$  represents the Grant Price after the adjustment.

**2. Rights issue**

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the share registration date;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue (i.e., the ratio of the number of shares to be issued under the rights issue to the Company's total share capital before the rights issue);  $P$  represents the Grant Price after the adjustment.

**3. Share consolidation**

$$P = P_0 \div n$$

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

**4. Dividend distribution**

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per share;  $P$  represents the Grant Price after the adjustment.  $P$  shall be a positive number after the adjustment for dividend distribution.

**5. Additional issue**

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

**III. Adjustment Procedures of the Restricted Share Incentive Scheme**

1. The general meeting of the Company authorizes the Board of the Company the right to adjust the number of Restricted Shares or the Grant Price according to the above reasons. The Board shall make an announcement and notify the Participants in a timely manner after adjusting the number of Restricted Shares or the Grant Price in accordance with the above requirements.
2. If there is a need to adjust the number of Restricted Shares, the Grant Price or other terms for other reasons, it should be put forward to the general meeting and the A share and H share class meetings again for consideration and approval after being considered by the Board.
3. The Company should engage lawyers to issue professional opinion to the Board as to whether the above adjustment is in compliance with the requirements of relevant documents of the CSRC or relevant regulatory departments, the Articles of Association and the provisions of this Scheme.

**CHAPTER X ACCOUNTING TREATMENT FOR THE RESTRICTED SHARES****I. Accounting Treatment for the Restricted Shares**

In accordance with the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payment, at each balance sheet date within the Lock-up Period, the Company shall make revision to the estimated number of the Restricted Shares which are expected to be unlocked based on the subsequent information such as changes in the latest available number of persons eligible to the unlocking of the Restricted Shares, and the completion of the performance targets, and include the services acquired during such period in the relevant costs or expenses and capital reserve based on the fair value of the Restricted Shares on the Grant Date.

Accounting treatment on the Grant Date: the “bank deposits”, “treasury stocks” and “capital reserve – share premium” shall be recognized according to the status of the grant of shares to the Participants by the Company; and liability is recognized for the repurchase obligation.

Accounting treatment during the Lock-up Period: Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognized as costs on each balance sheet date during the Lock-up Period, and the equity or liability of owners will be recognized at the same time.

Accounting treatment on the Unlocking Date: If the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the shares are lapsed or cancelled since the same have not been unlocked, such shares will be dealt with pursuant to the accounting standards and relevant requirements.

**II. Fair Value of the Restricted Shares and Determination Method**

The fair value of the Restricted Shares shall be determined according to the market price on the Grant Date and the subscription price paid by the Participant.

**III. Effect of Share-based Payment on the Results Performance of the Company**

Assuming that the grant is made on 24 March 2023, total expenses of RMB41.5624 million shall be recognized for the initial grant of 6.3844 million Restricted Shares of the Company, such expenses shall be recognized by the Company by phase as per the unlocking proportion in the corresponding year, together with an increase in capital reserve. Details are set out as follows:

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**APPENDIX I            2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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<b>Number of Restricted Shares to be granted</b> <i>(’0,000 shares)</i>	<b>Total expenses to be amortized</b> <i>(RMB ’0,000)</i>	<b>2023</b> <i>(RMB ’0,000)</i>	<b>2024</b> <i>(RMB ’0,000)</i>	<b>2025</b> <i>(RMB ’0,000)</i>	<b>2026</b> <i>(RMB ’0,000)</i>	<b>2027</b> <i>(RMB ’0,000)</i>
638.44	4,156.24	1,168.16	1,506.64	958.81	445.60	77.03

After the grant of the Restricted Shares, the Company will announce the audited incentive costs of the Restricted Shares and the cost and expenses recognized each year in the annual report.

The total expenses arising from this Scheme will be charged to recurring profit or loss. Based on the current situation, the Company estimates that the amortization of the expenses under this Scheme will affect the net profit of each year during the Effective Period without considering the stimulation effect of this Scheme on the Company’s results performance. However, taking into consideration the positive effects of this Scheme to the Company’s development, such as boosting the enthusiasm of the management team and improving the operating efficiency, improvement on the performance of the Company brought by this Scheme will outweigh the increase in expenses incurred by it.



**CHAPTER XI PROCEDURES FOR GRANTING ENTITLEMENTS AND UNLOCKING BY THE COMPANY****I. Procedures for the Restricted Share Incentive Scheme to Take Effect**

- (I) The Remuneration and Monitoring Committee of the Board of the Company is responsible for preparing the proposal of the Restricted Share Incentive Scheme and submitting it to the Board for consideration and approval; the Board shall resolve on this Scheme in accordance with the law. When the Board considers this Scheme, any director who is also a Participant or is a related party to a Participant shall abstain from voting.
- (II) The independent directors and the Supervisory Committee shall issue opinions in respect of whether this Scheme is beneficial to the sustainable development of the Company or whether there is any considerable damage to the interests of the Company and the shareholders as a whole. A legal opinion on this Scheme shall be issued by the law firm engaged by the Company which shall be announced at the same time as the draft Scheme. The Company will engage an independent financial advisor to give its professional opinion on the feasibility of this Scheme, whether it is beneficial to the sustainable development of the Company, whether there is any damage to the interests of the Company and the impact on the interests of shareholders.
- (III) The Company shall internally publish the names and positions of the Participants through the Company's website or other channels for a notification period of not less than 10 days before the convening of the general meeting and the A share class meeting and the H share class meeting. The Supervisory Committee shall verify the list of Participants and thoroughly consider any feedbacks. The Company shall publish an explanation on the verification results of the Supervisory Committee on the list of the Participants and the display situation 5 days before this Scheme is considered at the general meeting and the A share class meeting and the H share class meeting.
- (IV) The Company shall conduct a self-inspection on the trading of the Company's shares by persons who were privy to inside information during the six months prior to the announcement of the proposal of the share incentive scheme to state whether there is any insider trading.
- (V) This Scheme shall be submitted to the Beijing SASAC for consideration and approval after being reviewed and approved by Jingcheng Machinery Electric.
- (VI) The Company shall issue a notice convening the general meeting and the A share class meeting and the H share class meeting.
- (VII) Prior to the convening of the general meeting and the A share class meeting and the H share class meeting to consider and approve this Scheme, the independent directors shall solicit proxy voting rights from all shareholders regarding this Scheme. Shareholders and A shareholders and H shareholders are required to vote

on the content of the share incentive scheme under Article 9 of the Management Measures, which shall be passed by more than 2/3 of the voting rights held by the shareholders present at the meeting. Except for the directors, supervisors and senior management personnel of the Company, as well as the shareholders individually or collectively holding more than 5% of the Company's shares, the voting by other shareholders shall be separately counted and disclosed.

When this Scheme is considered at the general meeting and the A share class meeting and the H share class meeting, shareholders who are Participants or shareholders who have a connected relationship with the Participants shall abstain from voting thereon.

- (VIII) The Company shall grant the Restricted Shares to the Participants within the prescribed period upon consideration and approval of this Scheme at the general meeting and the A share class meeting and the H share class meeting and the fulfilment of grant conditions stipulated under this Scheme. The Board shall be responsible for the implementation of the work in relation to the grant, unlocking and repurchase of the Restricted Shares in accordance with the mandate granted at the general meeting.

## **II. Procedures for Granting the Restricted Shares**

- (I) Following the approval of this Scheme at the general meeting and the A share class meeting and H share class meeting, the Remuneration and Monitoring Committee of the Board shall be responsible for drawing up the Restricted Share Grant Scheme.
- (II) The Board of the Company shall consider and approve the Restricted Share Grant Scheme proposed by the Remuneration and Monitoring Committee.
- (III) The Board shall consider and announce whether the conditions of a grant to a Participant as set out in this Scheme have been satisfied before the Company makes a grant of interests to such Participant. The independent directors and the Supervisory Committee shall both express their confirmatory views; the legal adviser shall issue its legal opinion on whether the conditions for the grant of interests to the Participants have been fulfilled or not; the independent financial adviser shall at the same time give its clear opinion.
- (IV) The Supervisory Committee of the Company shall verify whether the list of Participants for the grant of Restricted Shares is consistent with those specified in the Restricted Share Incentive Scheme approved at the general meeting and the A share class meeting and H share class meeting.
- (V) The Company shall sign the "Agreement of the Grant of Restricted Shares" with the Participants in order to determine their respective rights and obligations, including the amount and period of time for which the Participants are to pay the share purchase price.

- (VI) The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company according to the Company's request, and the payment shall be verified and confirmed by a certified public accountant, otherwise such Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares.
  
- (VII) The Company shall grant the Restricted Shares to the Participants and complete the announcement and registration within 60 days after this Scheme has been considered and approved at the general meeting and the A share class meeting and H share class meeting. The Board of the Company shall disclose the relevant implementations in a timely manner by way of announcement after completion of the registration of Restricted Shares granted. In the event the Company fails to complete the procedures mentioned above within such 60 days, the implementation of this Scheme shall be terminated, and the Board shall disclose the reason for such non-completion in a timely manner and shall not reconsider the Share Incentive Scheme within the following three months (any period during which no granting of restricted shares is allowed by a listed company pursuant to the Management Measures shall not be included in the 60-day period).
  
- (VIII) If a senior management personnel, as a Participant, has reduced his/her holdings of the Company's shares within six months before the grant of the Restricted Shares and there is no case of trading with inside information after verification, the Company may defer the grant of Restricted Shares to such senior management personnel to six months after the date of the last transaction of reducing his/her holdings in accordance with the provisions of the Securities Law on short-term trading.
  
- (IX) The Company shall make an application to SSE first before granting any Restricted Shares, and the securities clearing institution will conduct the registration and settlement procedures thereof upon confirmation by SSE.
  
- (X) After the registration of the grant of the Restricted Shares is completed, if it involves changes in the registered capital of the Company, the Company shall go through the procedures in relation to registration with the relevant administration department for industry and commerce.

### **III. Procedures for Unlocking the Restricted Shares**

- (I) The Company shall confirm whether the Participants have satisfied the Unlocking Conditions before the Unlocking Date. The Board shall consider whether the Unlocking Conditions under this Scheme have been satisfied. The independent directors and the Supervisory Committee shall both express their confirmatory views at the same time. The legal adviser shall issue its legal opinion on whether the conditions for unlocking by the Participants have been fulfilled or not. For the Participants who have satisfied the Unlocking Conditions, the Company shall handle the unlocking procedures on a uniform basis, and for the Participants who

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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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have failed to satisfy the Unlocking Conditions, the Company will repurchase such Restricted Shares held by them. The Company shall disclose the implementation thereof in a timely manner by way of announcement.

- (II) A Participant may transfer the unlocked Restricted Shares, but the transfer of shares held by the directors and senior management personnel of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.
  
- (III) Before the Company unlocks the Restricted Shares held by the Participants, the Company shall apply to SSE, and upon confirmation by SSE, the securities clearing institution shall proceed with the relevant registration and clearing matters.

**CHAPTER XII   RESPECTIVE RIGHTS AND OBLIGATIONS  
OF THE COMPANY AND PARTICIPANTS**

**I.    Rights and Obligations of the Company**

- (I)    The Company shall have the right to interpret and execute this Scheme and shall appraise the performance of the Participants based on the requirements under this Scheme. If a Participant fails to fulfill the Unlocking Conditions required under this Scheme, the Company will repurchase the corresponding Restricted Shares which have not been unlocked from the Participant in accordance with the principles under this Scheme.
  
- (II)    Where a Participant has breached his/her obligations of good faith under the Company Law, the Articles of Association or other regulations, or impaired the interests or reputation of the Company as a result of violating the laws, breaching professional ethics, divulging confidential information of the Company, dereliction of duties or malpractice, the Restricted Shares which have not been unlocked shall be repurchased by the Company; in serious cases, the Board of the Company shall have the right to recover all or part of the gains made by him/her from his/her unlocked Restricted Shares.
  
- (III)    The Company undertakes not to provide loans and financial assistance in any other forms, including the provision of guarantee for loans, to the Participants for acquiring the Restricted Shares under this Scheme.
  
- (IV)    The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Restricted Share Incentive Scheme in accordance with the relevant requirements.
  
- (V)    The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock the Restricted Shares in accordance with the relevant requirements including those of this Scheme, the CSRC, SSE and the securities clearing institution. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons caused by the CSRC, SSE and the securities clearing institution.
  
- (VI)    The Company shall withhold and pay on behalf of the Participants the individual income tax and other taxes and fees payable by the Participants according to the relevant provisions of the national tax laws and regulations.
  
- (VII)    The Company's determination of the Participants of this Scheme does not imply that the Participants have the right to continue their service with the Company, nor does it constitute a commitment by the Company on the term of employment of such employees. The employment relationship between the Company and the employees shall continue to be governed by the labor contracts signed between the Company and the Participants.

(VIII) Other relevant rights and obligations as stipulated by laws and regulations.

## **II. Rights and Obligations of the Participants**

- (I) A Participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (II) A Participant shall be required to observe the restrictions on the sale of the Restricted Shares granted to him/her in accordance with the provisions of this Scheme. The Restricted Shares granted to the Participant shall not be entitled to any disposal rights such as assignment or use for guarantee or repayment of debts until the Restricted Shares are unlocked.
- (III) Upon completion of the registration by the securities clearing institution, the Restricted Shares granted to the Participants shall have the rights, including but not limited to the rights to dividends, rights to rights issue and voting rights, etc. However, during the Lock-up Period, the bonus shares, the capitalization issue shares and rights issue shares derived from the Restricted Shares granted to the Participants are correspondingly locked and cannot be sold in the secondary market or transferred by any other means. The end date of the Lock-up Period of such shares is the same as that for the Restricted Shares.
- (IV) The source of funds shall be self-raised funds of the Participants.
- (V) Any gains for the Participants generated from this Scheme are subject to individual income tax and other taxes according to the national tax laws and regulations. The Participants agree that the Company shall on behalf of the Participants withhold and pay the aforesaid individual income tax.
- (VI) The Participants undertake that, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with the conditions of granting and exercising of the entitlements, they shall return to the Company all benefits gained through this Scheme calculated from the date when it is confirmed that the relevant information disclosure documents contain false statement or misleading representations or material omissions.
- (VII) Upon the consideration and approval of this Scheme at the general meeting and the A share class meeting and H share class meeting, the Company shall sign an Agreement of the Grant of Restricted Shares with each Participant to expressly specify the respective rights and obligations under this Scheme and other related matters.
- (VIII) Other relevant rights and obligations under the laws, regulations and this Scheme shall be observed.

**CHAPTER XIII   HANDLING OF UNUSUAL CHANGES IN RELATION  
TO THE COMPANY AND PARTICIPANTS**

**I.    Handling of Unusual Changes in the Company**

- (I) The implementation of this Scheme shall be terminated immediately if any of the following occurs to the Company, and the Restricted Shares which have not been unlocked shall be repurchased by the Company at the lower of the Grant Price and the market price:
1. failing to engage an accounting firm to carry out audit in accordance with the prescribed procedures and requirements;
  2. the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department raises major objections to the business results or annual financial report of the Company;
  3. significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
  4. the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with an adverse opinion or an audit report with a disclaimer of opinion by the certified public accountants;
  5. failure to make profit distribution in accordance with laws and regulations, the Articles of Association and public commitments during the past 36 months after listing;
  6. where the laws and regulations prohibit the implementation of share incentives;
  7. other circumstances as determined by the CSRC.
- (II) This Scheme shall continue to be implemented according to its provisions if any of the following occurs to the Company:
1. change in control of the Company;
  2. circumstances such as merger, spin-off, etc. of the Company.
- (III) The Restricted Shares which have not been unlocked in whole or in part by the Participants for the current period due to failing to pass the performance appraisal at the Company level or the appraisal at the individual level shall not be unlocked or deferred to the next period to unlock, and shall be repurchased by the Company at the lower of the Grant Price and the market price at the time of repurchase. The market price at the time of repurchase represents the closing price of the Company's shares on the trading day preceding the Board's consideration of the repurchase of the Restricted Shares of the Participants.

- (IV) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking of the Restricted Shares, all outstanding Restricted Shares shall be repurchased by the Company on a uniform basis, and the Company shall pay interest equal to the interest on bank deposit for the same period. In respect of the Restricted Shares granted to the Participants and already unlocked, the Participants concerned shall return to the Company all the benefits gained. The Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the Restricted Shares granted may seek compensation from the Company or responsible parties pursuant to the relevant arrangements under this Scheme.

The Board shall recover the gains received by the Participants in accordance with the aforesaid provisions and the relevant arrangements under this Scheme.

## **II. Changes in the Personal Circumstances of the Participants**

- (I) In case a Participant has a change in job position but still works in the Company or a controlled subsidiary of the Company, the Restricted Shares granted to him/her shall be fully assessed and unlocked by following the procedures as specified before the change of his/her job position.
- (II) If the Participant terminates his/her employment with the Company due to transfer of job, dismissal, retirement, death or incapacity, the exercisable portion (with clear vesting of interests) may be exercised within six months from the date of termination of employment (or when the portion can be exercised) if the exercisable time limit and performance assessment conditions have been met in that year, and the entitlement shall lapse after such six months. Any remaining portion in respect of which the performance assessment conditions for the year are not met will not be unlocked and will be repurchased by the Company at the sum of the Grant Price plus interest earned on time deposits calculated in accordance with the latest benchmark deposit rate published by the People's Bank of China.
- (III) If the Participant resigns or the employment relationship is terminated due to personal reasons, the Company shall repurchase the Restricted Shares that have not been unlocked at the lower of the Grant Price and the market price.
- (IV) When the Participant becomes an independent director or a supervisor who cannot hold the Company's Restricted Shares, the Restricted Shares held by the Participant that have not been unlocked shall be repurchased by the Company at the sum of the Grant Price together with the interest on time deposits calculated using the latest benchmark deposit rate published by the People's Bank of China.



- (V) A Participant who has failed in performance appraisal or received an “unqualified” result in the party building assessment evaluation, or in the event that any of the circumstances specified in Article 8 of the Management Measures that the Restricted Shares shall not be granted, the Restricted Shares of the Participant that have not been unlocked for the current period shall be repurchased by the Company at the lower of the Grant Price and the market price.
- (VI) When any of the followings occurs to a Participant, the Participant shall return the gains from the share incentive to the Company. Restricted Shares that have not been unlocked shall be repurchased by the Company at the lower of the Grant Price and the market price:
1. the results of financial responsibility audits, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
  2. during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company’s commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and punishment has been imposed;
  3. failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
  4. performing any act which violates the national laws and regulations, occupational ethics, or dereliction of duty or malpractice, causing severe damage to the interests or the reputation of the Company and causing financial losses, directly or indirectly, to the Company;
  5. where the Participant is dismissed due to violation of the Company’s rules and regulations, and violation of the relevant provisions of the Company’s employee reward and punishment management system or commitment of serious disciplinary offences;
  6. where the Participant is prosecuted as a result of a criminal offence;
  7. where the Participant causes improper losses to the Company as a result of violating the relevant laws and regulations or the Articles of Association.
- (VII) The handling methods for other situations not specified herein shall be determined by the Board.

**III. Resolution of Disputes between the Company and the Participants**

Any dispute between the Company and the Participants shall be resolved in accordance with the provisions of this Scheme and the Agreement of the Grant of Restricted Shares. Disputes not clearly covered by the provisions shall be negotiated and resolved in accordance with PRC laws and on fair and reasonable principles. Where the disputes cannot be settled through negotiations, they shall be resolved through litigation by submitting to the People's Court with jurisdiction over the Company's place of domicile.

**CHAPTER XIV AMENDMENTS TO AND TERMINATION OF THIS SCHEME****I. Procedures for Amendments to this Scheme**

- (I) If the Company intends to amend this Scheme before it is considered at the general meeting, A share class meeting and H share class meeting, such amendments shall be considered and approved by the Board.
  
- (II) If the Company intends to amend this Scheme after it has been considered and approved (except for matters authorized at the general meeting to the Board) at the general meeting, A share class meeting and H share class meeting, such amendments shall be considered and approved at the general meeting, A share class meeting and H share class meeting, provided that such amendments shall not result in the following:
  - (1) unlocking of the Restricted Shares in advance;
  - (2) reducing the Grant Price.

The independent directors and Supervisory Committee shall give independent opinions in respect of whether the Restricted Share Incentive Scheme after amendment may benefit the Company's sustainable development, and whether there is any considerable damage to the interests of the Company and the shareholders as a whole. The legal adviser shall issue legal opinion on whether the Restricted Share Incentive Scheme after amendment is in compliance with the Management Measures and relevant laws and regulations, and whether there is any considerable damage to the interests of the Company and shareholders as a whole.

**II. Procedures for Termination of this Scheme**

- (I) If the Company intends to terminate the implementation of this Scheme before it is considered at the general meeting, A share class meeting and H share class meeting, such termination shall be considered and approved by the Board.
  
- (II) If the Company intends to terminate the implementation of this Scheme after it has been considered and approved at the general meeting, A share class meeting and H share class meeting, such termination shall be considered and approved at the general meeting, A share class meeting and H share class meeting.
  
- (III) The legal adviser shall issue professional opinion on whether the termination of this Scheme is in compliance with the Management Measures and the relevant laws and regulations, and whether there is any considerable damage to the interests of the Company and the shareholders as a whole.
  
- (IV) Upon termination of this Scheme, the Restricted Shares that have not been unlocked shall be repurchased by the Company and handled in accordance with the requirements of the Company Law.

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**APPENDIX I      2023 RESTRICTED A SHARE INCENTIVE SCHEME**

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- (V) The Company shall make an application to SSE first before repurchase of the Restricted Shares, and the securities clearing institution will conduct the registration and settlement procedure thereof upon confirmation by SSE.

**CHAPTER XV   PRINCIPLES OF REPURCHASE OF RESTRICTED SHARES****I.    Method for Adjustment of the Repurchase Amount**

Upon completion of registration of the Restricted Shares granted to the Participants, in case of any capitalization issue, bonus issue, sub-division of shares, rights issue or share consolidation and other matters, the Company shall make corresponding adjustments to the repurchase amount of the Restricted Shares that have not been unlocked. The methods for adjustment are as follows:

**1.    *Capitalization issue, bonus issue and sub-division of shares***

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

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

**2.    *Rights issue***

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

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

**3.    *Share consolidation***

$$Q = Q_0 \times n$$

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

**4.    *Dividend distribution, additional issue***

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

**II. Method for Adjustment of the Repurchase Price**

If the Company shall repurchase the Restricted Shares under the requirements of this Scheme, the repurchase price represents the Grant Price unless otherwise stipulated herein, except for those whose repurchase price needs to be adjusted in accordance with this Scheme. Upon completion of registration of the Restricted Shares granted to the Participants, in the event of any capitalization issue, bonus issue, sub-division of shares, rights issue or share consolidation, dividend distribution of the Company that affects the total share capital of the Company or the price of the Company's shares, the Company shall make corresponding adjustments to the repurchase price of the Restricted Shares that have not been unlocked. The adjustment methods are as follows:

**1. Capitalization issue, bonus issue and sub-division of shares**

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

Where: P represents the price after adjustment;  $P_0$  represents the price before adjustment; n represents the ratio per share resulting from the capitalization issue, bonus issue or sub-division of shares (i.e., the number of shares increased per share upon capitalization issue, bonus issue or sub-division of shares).

**2. Rights issue**

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

Where: P represents the price after adjustment;  $P_0$  represents the price before adjustment;  $P_1$  represents the closing price as at the share registration date;  $P_2$  represents the price of the rights issue; n represents the ratio of the rights issue (i.e., the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue).

**3. Share consolidation**

$$P = P_0 \div n$$

Where: P represents the price after adjustment;  $P_0$  represents the price before adjustment; n represents the ratio per share of consolidation of shares (i.e., 1 share of the Company to be consolidated into n shares).

**4. Dividend distribution**

$$P = P_0 - V$$

Where:  $P_0$  represents the price before adjustment; V represents the dividend per share; P represents the price after adjustment. P shall be a positive number after the dividend distribution.

**5.    *Additional issue***

Under the circumstance of additional issue of new shares by the Company, no adjustment will be made to the repurchase price of the Restricted Shares.

**III.   *Procedures for Adjustment of Repurchase Price and Repurchase Volume***

- (I)    The Board of the Company shall be authorized at the general meeting of the Company to adjust the repurchase price and repurchase volume of Restricted Shares based on the reasons listed above. The Board shall make announcement in a timely manner after adjusting the repurchase price and repurchase volume in accordance with the above provisions.
  
- (II)   If it is necessary to adjust the repurchase price and repurchase volume due to other reasons, a resolution shall be made by the Board which shall be considered and approved at the general meeting, A share class meeting and H share class meeting.

**IV.   *Procedures for Repurchase***

- (I)    The Company shall in a timely manner convene a Board meeting to consider the share repurchase proposal, and if necessary, submit the repurchase plan to the general meeting, A share class meeting and H share class meeting for approval, and announce the same in a timely manner.
  
- (II)   When the Company implements a repurchase under this Scheme, it shall be implemented in accordance with the requirements under the Company Law.
  
- (III) The Company shall apply to SSE for handling the relevant procedures for repurchase of the Restricted Shares when implementing the repurchase under this Scheme, upon confirmation by SSE, the Company shall complete the procedures at the securities clearing institution in a timely manner and make an announcement.

**CHAPTER XVI   OTHER IMPORTANT MATTERS**

- I. In case of any conflict between the relevant provisions of this Scheme and the relevant national laws, regulations and administrative rules and regulatory documents, the relevant national laws, regulations and administrative rules and regulations shall prevail. For anything not covered herein, the relevant national laws, regulations and administrative rules and regulatory documents shall apply.
- II. In the event that a Participant violates this Scheme, the Articles of Association, related national laws, regulations, administrative rules or regulatory documents and sells the shares granted under this Scheme, the gains therefrom shall belong to the Company and shall be recovered by the Board of the Company.
- III. This Scheme shall go through the following procedures before being implemented: review and approval of this Scheme by Beijing SASAC; consideration and approval of this Scheme by the general meeting, A share class meeting and H share class meeting.
- IV. The management measures for this Scheme are formulated by the Remuneration and Monitoring Committee under the authorization of the Board of the Company.
- V. The Board of the Company reserves the right to interpretation of this Scheme.

Board of Directors of Beijing Jingcheng Machinery Electric Company Limited  
March 2023



**Stock Abbreviation: Jingcheng Mac**

**Stock Code: 600860**

**Beijing Jingcheng Machinery Electric Company Limited**

**2023 Restricted Share Grant Scheme**

March 2023

*Note:* The Jingcheng Grant Scheme was prepared in Chinese. In the event of any discrepancy between the Chinese version and the English translation, the Chinese version shall prevail.

## CHAPTER I GENERAL PROVISIONS

**Article 1** In order to further improve the corporate governance structure, perfect the incentive and discipline mechanism, attract and retain outstanding management backbone and technical talents in line with the needs of the Company, improve the sustainability and promote the development of the Company, based on the Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises, the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies, the Trial Measures for Implementing Equity Incentive Plans by State-Controlled Listed Companies (Domestic), the Management Measures for Equity Incentives of Listed Companies, Guiding Opinions on the Standardisation of Shareholding and Bonus Incentives for Municipal Enterprises, the Articles of Association of Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the “Articles of Association”), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”) and the requirements under other relevant laws, administrative regulations and regulatory documents, this Scheme is hereby formulated.

**Article 2** The Share Incentive Scheme is implemented in the form of Restricted Shares.

**Article 3** The Share Incentive Scheme shall become effective upon the fulfilment of the approval or filing procedures and shall be implemented by Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as “Jingcheng Mac” or the “Company”) in accordance with the relevant provisions of the Shanghai Stock Exchange and the Hong Kong Listing Rules.

## CHAPTER II SCOPE OF IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME

**Article 4** Basis for determining the Participants

### 1. Legal basis for determining the Participants

Participants of the Incentive Scheme are determined in accordance with the relevant laws such as the Company Law of the People’s Republic of China, Securities Law of the People’s Republic of China, Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises (Guo Zi Kao Fen [2020] Document 178) (hereinafter referred to as the “Guidelines”), Management Measures for Equity Incentives of Listed Companies (Zheng Jian Hui Ling [2018] Document 148) (hereinafter referred to as the “Management Measures”), Trial Measures for Implementing Equity Incentive Plans by State-Controlled Listed Companies (Domestic) (Guo Zi Fa Distribution [2006] Document 175) (hereinafter referred to as the “Trial Measures”), Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Document 171), Guiding Opinions on the Standardisation of Shareholding and Bonus Incentives for

Municipal Enterprises (Guiding Opinions) and other relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances.

## **2. Position basis for determining the Participants**

The Participants of the Incentive Scheme shall be the executive directors, senior management personnel, assistant general managers, middle management personnel, core technical and key business personnel of the Company (including the Company's controlled subsidiaries, the same below) who are in office at the time of the implementation of the Incentive Scheme. For those who meet the criteria of the Participants under the Incentive Scheme, the Remuneration and Monitoring Committee shall draw up a list which shall be verified and determined by the Supervisory Committee of the Company.

### **Article 5 Scope of Participants**

The initial grant under the Incentive Scheme will be offered to no more than 131 Participants, including executive directors, senior management personnel, assistant general managers, middle management personnel, core technical and key business personnel.

The Participants under the Incentive Scheme do not include municipal management personnel, independent directors, supervisors and shareholders holding, individually or jointly, more than 5% of the Shares or actual controller of the Company and their respective spouses, parents and children. All Participants must have employment relationships with the Company or a subsidiary of the Company or hold positions with labour contracts signed with the Company or a subsidiary of the Company.

All Participants participating in the Incentive Scheme cannot participate in any share incentive schemes of other listed companies at the same time, and those who have already participated in any incentive schemes of other listed companies are not allowed to participate in the Incentive Scheme.

Any personnel who are "unqualified" in the party building assessment or personnel who will retire within the next three years may not be included in the selection of Participants.

Reserved Participants are Participants who have not yet been determined at the time of approval of the Scheme at the general meeting and the A Shares and H Shares Class Meetings but will be included in the Incentive Scheme during the subsistence period of the Scheme, and will be determined within 12 months from the date of approval of the Scheme at the general meeting and the A Shares and H Shares Class Meetings. The basis for determining the Reserved Participants shall be determined with reference to the criteria for the initial grant. The Company has reserved 30 positions for leading personnel and teams involved in the new products of liquid hydrogen, hydrogen refuelling stations, high-pressure hydrogen valves and intelligent manufacturing for the granting of Restricted Shares.

## CHAPTER III GRANT OF RESTRICTED SHARES

**Article 6** Source of Underlying Shares of the Restricted Share Incentive Scheme

The source of the underlying Shares is the ordinary A Shares of Jincheng Mac to be issued to the Participants by the Company.

**Article 7** Number of Subject Shares to be Granted under the Restricted Share Incentive Scheme

The number of Restricted Shares to be granted to the Participants under the Scheme shall not exceed 7,980,500 Shares in total, representing approximately 1.47% of the total share capital of the Company (i.e. 542,270,000 Shares) as at the date of announcing the Draft Scheme, among which 6,384,400 Shares will be granted under the initial grant, representing approximately 1.18% of the total existing share capital of 542,270,000 Shares of the Company; and 1,596,100 Shares will be reserved, representing approximately 0.29% of the total existing share capital of 542,270,000 Shares of the Company. The reserved portion represents approximately 20% of the total equity in this grant.

**Article 8** Allocation of Restricted Shares to the Participants

The Restricted Shares granted under the Incentive Scheme are allocated to the various Participants based on the following percentage:

Serial Number	Name	Position	Incentive Amount ('0,000 shares)	Percentage of the total number of Shares granted (%)	Percentage of the total share capital (%)
1	Zhang Jiheng	Executive Director	15.00	1.88%	0.03%
2	Shi Fengwen	Chief Engineer	10.00	1.25%	0.02%
3	Fung Wingmui	Chief Finance Officer	10.00	1.25%	0.02%
4	Li Xianzhe	Chief Legal Adviser	10.00	1.25%	0.02%
5	Luan Jie	Secretary to the Board	10.00	1.25%	0.02%
	Other core staff (126 persons)		583.44	73.11%	1.08%
	Total initial grant (131 persons)		638.44	80.00%	1.18%
	Reserved (30 persons)		159.61	20.00%	0.29%
	Total (161 persons)		798.05	100%	1.47%

*Notes:*

1. The Participants of the Restricted Share Incentive Scheme have not participated in any two or more share incentive scheme(s) of listed companies and none of the Participants is a substantial Shareholder holding more than 5% of the Shares of the Company or an actual controller and their respective spouse, parents and children.
2. The total number of the Company's Shares granted under all effective share incentive scheme(s) to any of the aforesaid Participants does not exceed 1% of the total share capital of the Company. No more than 1% of the Company's issued ordinary A Shares as at the date of approval of the Restricted Share Incentive Scheme has been granted to any one of the above Participants in the past 12 months. The total number of the subject Shares of the Company involved in all effective incentive scheme(s) of the Company does not exceed 10% of the total issued ordinary A Shares of the Company as at the date of approval of the Share Incentive Scheme.
3. The value of the interests granted to the directors and senior management personnel shall be determined at the level of no more than 40% of the total remuneration (including the value of interests granted) at the time of grant, and the value of the interests granted to other Participants such as the key management, technical and business personnel shall be determined reasonably by the Board of the Company. If relevant policies are adjusted within the effective term of the Restricted Share Incentive Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities.
4. The total number of Shares issued and to be issued upon granting of interests to any of the Participants in the past 12 months does not exceed 0.1% of the total issued ordinary A Shares of the Company as at the date of approval of the Incentive Scheme.

**CHAPTER IV CONDITIONS OF GRANT OF RESTRICTED SHARES****Article 9 Conditions of Grant of Restricted Shares**

Granting of Restricted Shares to the Participants under the Scheme shall only be made by the Company if the following conditions are met at the same time:

**(1) There is no occurrence of any of the following events on the part of the Company:**

1. failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;
2. the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
3. any significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
4. the certified public accountants have issued an auditor's report with an adverse opinion or a disclaimer of opinion on the financial accounting report or the internal control evaluation report for the latest accounting year;

5. any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
6. where the laws and regulations prohibit the implementation of share incentives or;
7. other circumstances as determined by the CSRC.

**(2) There is no occurrence of any of the following events on the part of the Participants:**

1. the results of financial responsibility audit, etc. indicating that there is failure in performing duties effectively or serious dereliction of duty or malpractice;
2. the Participant failing to pass the party building assessment evaluation;
3. violation of the provisions of relevant national laws and regulations and the Articles of Association;
4. having committed any acts in violation of laws and regulations during his/her period of service such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impacts on the image of the Company, and having been penalised;
5. failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
6. being determined by SSE to be an unsuitable person within the last 12 months;
7. being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
8. having been imposed administrative punishment or having been prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
9. being prohibited from acting as a director or a senior management personnel of the Company as stipulated in the Company Law;
10. being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or

11. other circumstances as determined by the CSRC.

**(3) The Company's performance assessment conditions are met, i.e., the following conditions are fulfilled under the initial and reserved grants:**

1. the EOE of the Company was not less than 5.32% in 2022;
2. the Company's operating revenue growth rate in 2022 was not less than 10% based on the 2021 operating revenue;
3. a revenue growth rate of the transformative and innovative business was not less than 100% in 2022;
4. investment in research and development accounted for no less than 3.00% of the operating revenue in 2022.

*Notes:* 1. During the effective period of the Incentive Scheme, in the event of a major asset reorganisation of the Company, adjustments to the corresponding performance indicators will be made by the Board of the Company subject to the approval of Jingcheng Machinery Electric and SASAC.

2. The above "operating revenue" refers to the audited operating revenue of the Company.

3. EOE in the above performance appraisal refers to cash return rate on net assets,  $EOE = EBITDA / \text{average net assets}$ , a comprehensive indicator to reflect the return to shareholders and the creation of value for the Company, of which EBITDA is earnings before interest, taxes, depreciation and amortization, the data is derived from the EBITDA value presented by Wind, and the average net assets is the arithmetic average of the opening and closing balances of owners' equity.

4. The above "revenue of the transformative and innovative business" refers to revenue from hydrogen company products and intelligently manufactured products.

## CHAPTER V GRANT PRICE OF THE RESTRICTED SHARES

**Article 10** The Initial Grant Price of the Restricted Shares

The initial Grant Price of the Restricted Shares shall be RMB7.33 per Share.

**Article 11** Basis for Determining the Initial Grant Price

The pricing benchmark date of the initial Grant Price of the Restricted Shares under the Incentive Scheme is the date of publication of the proposal of the Incentive Scheme. The Grant Price shall not be less than the nominal value of the Shares and shall not be less than 50% of the higher of the following prices:

1. Average trading price (total trading amount on the preceding trading day/ total trading volume on the preceding trading day) of the underlying Shares of the Company (i.e., RMB13.87 per Share) on the trading day preceding the date of the publication of the proposal of the Incentive Scheme;
2. Closing price of the underlying Shares of the Company on the trading day preceding the date of the publication of the proposal of the Incentive Scheme (i.e., RMB13.84 per Share);
3. Average closing price of the underlying Shares of the Company for the 30 trading days preceding the date of the publication of the proposal of the Incentive Scheme (i.e., RMB14.66 per Share);
4. One of the following prices:
  - (1) Average trading price (total trading amount for the last 20 trading days/ total trading volume for the last 20 trading days) of the underlying Shares of the Company (i.e., RMB14.29 per Share) for the 20 trading days preceding the date of the publication of the proposal of the Incentive Scheme;
  - (2) Average trading price (total trading amount for the last 60 trading days/ total trading volume for the last 60 trading days) of the underlying Shares of the Company (i.e., RMB14.96 per Share) for the 60 trading days preceding the date of the publication of the proposal of the Incentive Scheme;
  - (3) Average trading price (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days) of the underlying Shares of the Company (i.e., RMB14.90 per Share) for the 120 trading days preceding the date of the publication of the proposal of the Incentive Scheme.



**Article 12** Basis For Determining the Reserved Grant Price

Prior to the grant of the reserved Restricted Shares, a Board meeting shall be convened to consider and approve the relevant resolution. The Grant Price shall not be less than the nominal value of the Shares and shall not be less than 50% of the higher of the following prices:

1. Average trading price of the underlying Shares of the Company on the trading day preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount on the preceding trading day/total trading volume on the preceding trading day);
2. Closing price of the underlying Shares of the Company on the trading day preceding the date of the announcement of the Board resolution on the reserved grant;
3. Average closing price of the underlying Shares of the Company for the 30 trading days preceding the date of the announcement of the Board resolution on the reserved grant;
4. One of the following prices:
  - (1) Average trading price of the Company's underlying Shares for the 20 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 20 trading days/total trading volume for the last 20 trading days);
  - (2) Average trading price of the Company's underlying Shares for the 60 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 60 trading days/total trading volume for the last 60 trading days);
  - (3) Average closing price of the Company's underlying Shares for the 120 trading days preceding the date of the announcement of the Board resolution on the reserved grant (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days).

**CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 13** The Scheme shall be implemented on the date of approval by the general meeting and A Shares and H Shares Class Meetings. The Board of the Company shall be responsible for the interpretation of the Scheme.

Beijing Jingcheng Machinery Electric Company Limited  
March 2023

*Note: The Jingcheng Management Measures were prepared in Chinese. In the event of any discrepancy between the Chinese version and the English translation, the Chinese version shall prevail.*

## **I. GENERAL PROVISIONS**

In order to implement the 2023 Restricted Share Incentive Scheme (hereinafter referred to as the “Incentive Scheme” or the “Scheme”) of Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as “Jingcheng Mac” or the “Company”), further improve the corporate governance structure of the Company, fully mobilize the proactiveness and creativity of the management staff and key business personnel, establish a long-term mechanism in order to attract and retain talents, steadily improve the Company’s performance to ensure the realization of the Company’s development strategy and business objectives, in accordance with the laws, regulations, rules and regulatory documents, these Measures are hereby formulated.

## **II. MANAGEMENT ORGANIZATION AND ITS RESPONSIBILITIES**

### **1. Responsibilities of the general meeting of the Company**

1. To examine and approve the Incentive Scheme, these Measures and their relevant supporting documents;
2. To examine and approve the amendments and termination of the Incentive Scheme and its relevant supporting documents;
3. To authorize the Board to deal with matters related to the Incentive Scheme.

### **2. Responsibilities of the Board**

1. To examine the Incentive Scheme, these Measures and their relevant supporting documents, and in accordance with the relevant laws and regulations, submit them to the general meeting for voting;
2. To propose at the general meeting changing or terminating the Incentive Scheme and related supporting documents;
3. In accordance with the Incentive Scheme, the provisions of these Measures and the authorization of the general meeting, to organize specific work such as grant, exercise, cancellation and repurchase;
4. To authorize the Remuneration and Monitoring Committee to handle the specific implementation of the Incentive Scheme;
5. Other responsibilities as provided in the Incentive Scheme, these Measures or designated by the general meeting.

**3. Responsibilities of the Supervisory Committee**

1. To be responsible for verifying the list of Participants of the Incentive Scheme and explaining the verification at the general meeting;
2. To give opinion on whether the Incentive Scheme is beneficial to the sustainable development of the Company and whether there is any considerable damage to the interests of the Company and the Shareholders as a whole.

**4. Responsibilities of the Remuneration and Monitoring Committee**

The Remuneration and Monitoring Committee formulates and revises the Incentive Scheme in accordance with relevant laws, regulations, rules and regulatory documents, and is responsible for examining, approving and/or handling matters related to the Incentive Scheme as authorized by the Board.

**5. Responsibilities of the Equity Incentive Working Group**

An equity incentive working group shall be formed under the Remuneration and Monitoring Committee (hereinafter referred to as the “Working Group”), which is composed of personnel from Human Resources Department, Finance Department, Strategic Investment Department, Securities Department and other relevant departments. The responsibilities of the Working Group are as follows:

Under the guidance of the Remuneration and Monitoring Committee, to organize the specific implementation of the Incentive Scheme, including the preparation, delivery and signing of the Incentive Scheme Agreement, track and record the granting, exercise, unlocking and change of employees’ stocks, handle financial and legal matters related to the Incentive Scheme, manage the files and documents related to the Incentive Scheme, and be responsible for communication and reporting with the capital market, Shareholders, regulatory authorities and media.

**III. PROCEDURES FOR THE RESTRICTED SHARE INCENTIVE SCHEME TO TAKE EFFECT**

- (1) The Remuneration and Monitoring Committee under the Board is responsible for preparing the proposal of the Restricted Share Incentive Scheme and submitting it to the Board for consideration and approval; the Board of the Company shall resolve on the Scheme in accordance with the law. When the Board considers the Scheme, any Director who is also a Participant or is a related party of a Participant shall abstain from voting.
- (2) The independent Directors and the Supervisory Committee shall issue opinions in respect of whether the Scheme is beneficial to the sustainable development of the Company or whether there is any considerable damage to the interests of the Company and the Shareholders as a whole. A legal opinion on the Incentive Scheme shall be issued by the law firm engaged by the Company and it shall be

announced at the same time as the proposal of the Incentive Scheme. The Company will engage an independent financial advisor to give its professional opinion on the feasibility of the Scheme, whether it is beneficial to the sustainable development of the Company, whether there is any damage to the interests of the Company and the impact on the interests of Shareholders.

- (3) The Company shall internally publish the names and positions of the Participants through the Company's website or other channels for a publication period of not less than 10 days before the convening of the general meeting and the A Share Class Meeting and H Share Class Meeting. The Supervisory Committee shall verify the list of Participants and thoroughly consider any feedback. The Company shall publish an explanation on the verification results of the Supervisory Committee on the list of the Participants and put in display 5 days before the Scheme is considered at the general meeting and the A Share Class Meeting and H Share Class Meeting.
- (4) The Company shall conduct a self-inspection on the trading of the Company's Shares by persons who were privy to inside information during the six months prior to the announcement of the proposal of the Restricted Share Incentive Scheme to state whether there is any insider dealing.
- (5) The Scheme shall be submitted to the Beijing SASAC for consideration and approval after being reviewed and approved by Beijing Jingcheng Machinery Electric Holding Co., Ltd.
- (6) The Company shall issue a notice convening the general meeting and A Share Class Meeting and H Share Class Meeting.
- (7) Prior to the convening of the general meeting and A Share Class Meeting and H Share Class Meeting to consider and approve the Incentive Scheme, the independent Directors shall solicit proxy voting rights from all Shareholders regarding the Scheme. Shareholders and holders of A Shares and H Shares are required to vote on the content of the Incentive Scheme under Article 9 of the Management Measures for Equity Incentives of Listed Companies, and such shall be passed by more than 2/3 of the voting rights held by the Shareholders present at the meeting. Except for the Directors, Supervisors and senior management personnel of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other Shareholders shall be separately counted and disclosed.

When the Scheme is considered at the general meeting and A Share Class Meeting and H Share Class Meeting, Shareholders who are Participants or Shareholders who have a connected relationship with the Participants shall abstain from voting.

- (8) The Company shall grant the Restricted Shares to the Participants within the prescribed period upon consideration and approval of the Scheme at the general meeting and A Share Class Meeting and H Share Class Meeting and the fulfilment of grant conditions stipulated under the Scheme. The Board shall be responsible for the implementation of the work in relation to the grant, unlocking and repurchase of the Restricted Shares in accordance with the mandate granted at the general meeting.

#### **IV. PROCEDURES FOR GRANTING THE RESTRICTED SHARES**

1. Following the approval of the Incentive Scheme at the general meeting and the A Share Class Meeting and H Share Class Meeting, the Remuneration and Monitoring Committee under the Board shall be responsible for drawing up the Restricted Share Grant Scheme.
2. The Board shall consider and approve the Restricted Share Grant Scheme drafted by the Remuneration and Monitoring Committee.
3. The Board shall consider and announce whether the conditions of a grant to a Participant as set out in the Scheme have been satisfied before the Company makes a grant of entitlements to such Participant. The independent Directors and the Supervisory Committee shall both express their confirmatory views; the legal adviser shall issue its legal opinion on whether the conditions for the grant of entitlements to the Participants have been fulfilled or not; the independent financial adviser shall at the same time give a clear opinion.
4. The Supervisory Committee of the Company shall verify whether the list of Participants for the grant of Restricted Shares is consistent with those specified in the Restricted Share Incentive Scheme approved at the general meeting as well as the A Share Class Meeting and H share Class Meeting.
5. The Company shall sign the Agreement of the Grant of Restricted Shares with the Participants in order to determine their respective rights and obligations, including the amount and period of time for which the Participants are to pay the Share purchase price.
6. The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company according to the Company's requirement, and have it verified and confirmed by a certified public accountant, otherwise such Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares.
7. The Company shall grant the Restricted Shares to the Participants and complete the announcement and registration within 60 days after the Scheme has been considered and approved at the general meeting and A Share Class Meeting and H Share Class Meeting. The Board shall disclose the relevant implementations in a timely manner by way of announcement after completion of the registration of Restricted Shares granted. In the event the Company fails to complete the

procedures mentioned above within such 60 days, the implementation of the Scheme shall be terminated, and the Board shall disclose the reason for such non-completion in a timely manner and shall not reconsider such share incentive scheme within the following three months (any period during which no granting of restricted shares is allowed by a listed company pursuant to the the Management Measures for Equity Incentives of Listed Companies shall not be included in the 60-day period).

8. If a senior management personnel, as a Participant, has reduced his/her holdings of the Company's Shares within six months before the grant of the Restricted Shares and there is no case of trading with inside information after verification, the Company may defer the grant of Restricted Shares to such senior management personnel to six months after the date of his/her last reduction transaction in accordance with the provisions of the Securities Law of the People's Republic of China on short-term trading.
9. The Company shall make an application to the Stock Exchange first before granting any Restricted Shares, and the securities clearing institution will conduct the registration and clearing procedures thereof upon confirmation by the Stock Exchange.
10. After the registration of the grant of the Restricted Shares is completed, if it involves change in the registered capital of the Company, the Company shall go through the procedures in relation to change in registration with the relevant business registration department.

#### **V. PROCEDURES FOR UNLOCKING THE RESTRICTED SHARES**

1. The Company shall confirm whether the Participants have satisfied the Unlocking Conditions before the Unlocking Date. The Board shall consider whether the Unlocking Conditions under the Scheme have been satisfied. The independent Directors and the Supervisory Committee shall both express their confirmatory views at the same time. The legal adviser shall issue its legal opinion on whether the conditions for unlocking by the Participants have been fulfilled or not. For the Participants who have satisfied the Unlocking Conditions, the Company shall handle the unlocking procedures on a uniform basis, and for the Participants who have failed to satisfy the Unlocking Conditions, the Company will repurchase such Restricted Shares held by them. The Company shall disclose the implementation thereof in a timely manner by way of announcement.
2. A Participant may transfer the unlocked Restricted Shares, but the transfer of Shares held by the Directors and senior management personnel of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.

3. Before the Company unlocks the Restricted Shares held by the Participants, the Company shall apply to the Stock Exchange, and upon confirmation by the Stock Exchange, the securities clearing institution shall proceed with the relevant registration and clearing matters.

#### **VI. MEASURES TO BE TAKEN BY THE COMPANY UNDER THE FOLLOWING CIRCUMSTANCES**

1. The implementation of the Scheme shall be terminated if any of the followings occurs to the Company, and the Restricted Shares which have not been unlocked shall be repurchased at the lower of the Grant Price and market price by the Company:
  1. failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;
  2. the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department having raised significant objections to the Company's results or annual financial report;
  3. significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
  4. the certified public accountants having issued an auditor's report with an adverse opinion or a disclaimer of opinion on the financial accounting report or the internal control evaluation report for the latest accounting year;
  5. any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
  6. where the laws and regulations prohibit the implementation of share incentives;
  7. other circumstances as determined by the CSRC.
2. The Scheme shall continue to be implemented according to its provisions if any of the followings occurs to the Company:
  1. change in control of the Company;
  2. circumstance such as merger, spin-off, etc. of the Company.
3. The Restricted Shares which have not been unlocked in whole or in part by the Participants for the current period due to the failure of the performance appraisal at the Company level or the appraisal at the individual level shall not be unlocked or deferred to the next period to unlock, and shall be repurchased by the Company at the lower of the Grant Price and the prevailing market price at the

time of repurchase. The “market price at the time of repurchase” means the closing price of the Company’s Shares on the trading day preceding the consideration of the repurchase of the Restricted Shares of the Participants by the Board of the Company.

4. Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking of the Restricted Shares, all Restricted Shares which have not been unlocked shall be repurchased by the Company on a uniform basis, and the Company shall pay interest with reference to bank deposit rate for the same period. In respect of the Restricted Shares granted to the Participants and already unlocked, the Participants concerned shall return to the Company all the interests granted. The Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the Restricted Shares granted may seek compensation from the Company or responsible parties pursuant to the relevant arrangements under the Scheme.

The Board shall recover the gains received by the Participants in accordance with the aforesaid provisions and the relevant arrangements under the Scheme.

## **VII. CHANGES IN THE PERSONAL CIRCUMSTANCES OF THE PARTICIPANTS**

1. In case a Participant has a change in job position but still works in the Company or a controlled subsidiary of the Company, the Restricted Shares granted to him/her shall be fully assessed and unlocked by following the procedures as specified before the change of his/her job position.
2. If the Participant terminates his/her employment with the Company due to transfer of job, dismissal, retirement, death or incapacity, the exercisable portion (with clear vesting of interests) may be exercised within six months from the date of termination of employment (or when the portion can be exercised) if the exercisable time limit and performance appraisal conditions have been met in that year, and the entitlement shall lapse after such six months. Any remaining portion in respect of which the performance appraisal conditions for the year are not met will not be unlocked and will be repurchased by the Company at the sum of the Grant Price plus interest earned on time deposits calculated in accordance with the latest benchmark deposit rate issued by the People’s Bank of China.
3. If the Participant resigns or the employment relationship is terminated due to personal reasons, the Company shall repurchase the Restricted Shares that have not been unlocked at the lower of the Grant Price and the market price.
4. When the Participant becomes an independent Director or a Supervisor who cannot hold the Company’s Restricted Shares, the Restricted Shares held by the Participant that have not been unlocked shall be repurchased by the Company at a price equal to the sum of the Grant Price together with the interest on time deposits calculated using the latest benchmark deposit rate published by the People’s Bank of China.



5. If a Participant has failed in the performance appraisal or received an “unqualified” result in the party building assessment evaluation, or in any of the circumstances specified in Article 8 of the the Management Measures for Equity Incentives of Listed Companies that the Restricted Shares shall not be granted, the Restricted Shares of the Participant that have not been unlocked for the current period shall be repurchased by the Company at the lower of the Grant Price and the market price.
6. When any of the following occurs to a Participant, the Participant shall return the gains from the share incentive to the Company. Restricted Shares that have not been unlocked shall be repurchased by the Company at the lower of the Grant Price and the market price:
  1. the results of financial responsibility audits, etc. indicate that the Participant fails to perform duties effectively or commits serious dereliction of duty or malpractice;
  2. during his/her period of service, having committed any acts in violation of laws and regulations such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company’s commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impacts on the image of the Company, and having been punished;
  3. failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
  4. performing any act which violates the national laws and regulations, professional ethics, or dereliction of duty or malpractice, causing severe damage to the interests or the reputation of the Company and causing financial losses, directly or indirectly, to the Company;
  5. where a Participant is dismissed due to violation of the Company’s rules and regulations, and violation of the relevant provisions of the Company’s employee reward and punishment management system or commitment of serious disciplinary offences;
  6. where the Participant is prosecuted as a result of a criminal offence;
  7. where the Participant causes improper losses to the Company as a result of violating the relevant laws and regulations or the Articles of Association.
7. The handling methods for other situations not specified herein shall be determined by the Board.

**VIII. SUPPLEMENTARY PROVISIONS**

1. The Remuneration and Monitoring Committee of the Company is responsible for the drafting of and amendments to these Measures.
2. The Board of the Company is responsible for the interpretation of these Measures.
3. These Measures shall be implemented from the date of consideration and approval at the general meeting and A Share Class Meeting and H Share Class Meeting.
4. During the implementation of the Scheme, it shall be subject to the annual and periodic audits of the discipline and inspection and supervision department and superior departments in charge, and shall be subject to dynamic supervision throughout the whole process.
5. All documents during the implementation of the Scheme shall be filed in time for future reference, and the documents relating to implementation results such as details of grant and exercise shall be filed and reported to the superior departments in charge in time.

**Beijing Jingcheng Machinery Electric Company Limited**

March 2023

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## NOTICE OF EGM

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# 北京京城機電股份有限公司

## Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 0187)

### NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

**NOTICE IS HEREBY GIVEN** that the first extraordinary general meeting of 2023 (the “**EGM**”) of Beijing Jingcheng Machinery Electric Company Limited (the “**Company**”) will be convened by the board of directors (the “**Board**”) and held at the Conference Room of the Company at No. 6 Rong Chang East Street, Daxing District, Beijing, the PRC, on Monday, 13 November 2023 at 9:30 a.m. for the purpose of considering and, if thought fit, with or without modifications, passing the following resolutions. A combination of on-site voting and internet voting by ways of poll, will be adopted for the EGM.

Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 October 2023.

### MATTERS TO BE CONSIDERED AT THE EGM

#### Special resolutions

1. To consider and approve the resolution on the proposed adoption of the Restricted Share Incentive Scheme.
2. To consider and approve the resolution on the proposed adoption of the Jingcheng Grant Scheme.
3. To consider and approve the resolution on the proposed adoption of the Jingcheng Management Measures.
4. To consider and approve the resolution on the proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme.

### ATTENDEES OF THE MEETING AND REGISTRATION METHOD

- (I) Directors, supervisors and senior management of the Company.
- (II) Lawyers engaged by the Company.
- (III) Shareholders of the Company whose names appear on the register of members of the Company at the close of market on 8 November 2023, shall have the right to attend the EGM after completing the necessary registration procedures.

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## NOTICE OF EGM

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Holders of the Company's H shares should note that the register of members of the Company will be closed from 9 November 2023 to 13 November 2023 (both days inclusive), during which no H Shares transfer will be registered. For holders of H Shares who intend to attend the EGM, transfer documents together with the relevant share certificates must be lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 8 November 2023.

Corporate shareholder should attend the meeting by its legal representative or the proxy appointed by the legal representative. Legal representative who attends the meeting should present his or her own identity document, valid documents evidencing his or her capacity as a legal representative and evidence of shareholding. While appointing a proxy to attend the meeting, the proxy should present his or her identity document, the power of attorney issued in writing by the legal representative of the corporate shareholder in accordance with the laws and evidence of shareholding.

1. Each Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxy(ies), who need not be a Shareholder, to attend and vote on his or her behalf at the EGM.
2. For any Shareholder who appoints more than one proxy, his or her proxies can only exercise the voting right by way of poll.
3. The instrument appointing a proxy must be in writing under the hand of the appointer or his or her attorney authorised in writing. If that instrument is signed by an attorney on behalf of the appointer, the power of attorney authorising that attorney to sign, or other authorisation documents, must be notarially certified. To be valid, the notarially certified copy of the power of attorney, or other authorisation documents, together with the form of proxy must be delivered to the business address of the Company or lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM.

### OTHER MATTERS

1. Contact for the meeting

Contact telephone: 86 10 87707288  
Fax: 86 10 87707291  
Contact person: Board office of the Company  
Address: No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou  
District, Beijing, the PRC  
Postal Code: 101109

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## NOTICE OF EGM

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2. The EGM is expected to last for half a day. Shareholders attending the meeting should bear their own accommodation and travel expenses.
3. Personnel attending the meeting shall arrive at the venue of the meeting half an hour before the commencement of the meeting and bring along the original identity document, stock account card and power of attorney for verification.

On behalf of the Board of  
**Beijing Jingcheng Machinery Electric Company Limited**  
**Luan Jie**  
*Company Secretary*

Beijing, the PRC  
25 October 2023

*As at the date of this notice, the Board of the Company comprises Mr. Zhang Jiheng as executive director, Mr. Li Junjie, Mr. Wu Yanzhang, Mr. Zhou Yongjun, Mr. Cheng Lei, Mr. Man Huiyong and Ms. Li Chunzhi as non-executive directors, and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.*

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## NOTICE OF H SHARES CLASS MEETING

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# 北京京城機電股份有限公司

## Beijing Jingcheng Machinery Electric Company Limited

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 0187)

### NOTICE OF THE FIRST H SHARES CLASS MEETING OF 2023

**NOTICE IS HEREBY GIVEN** that the first H Shares Class Meeting of 2023 (the “**H Shares Class Meeting**”) of Beijing Jingcheng Machinery Electric Company Limited (the “**Company**”) will be convened by the board of directors of the Company (the “**Board**”) and held at No. 6 Rong Chang East Street, Daxing District, Beijing, the PRC, on Monday, 13 November 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, with or without modifications, passing the following resolutions. A combination of on-site voting and internet voting by ways of poll, will be adopted for the H Shares Class Meeting.

Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 25 October 2023.

### MATTERS TO BE CONSIDERED AT THE H SHARES CLASS MEETING

#### Special resolutions

1. To consider and approve the resolution on the proposed adoption of the Restricted Share Incentive Scheme.
2. To consider and approve the resolution on the proposed adoption of the Jingcheng Grant Scheme.
3. To consider and approve the resolution on the proposed adoption of the Jingcheng Management Measures.
4. To consider and approve the resolution on the proposed authorization to the Board to handle the relevant matters related to the Restricted Share Incentive Scheme.

### ATTENDEES OF THE MEETING AND REGISTRATION METHOD

- (I) Directors, supervisors and senior management of the Company.
- (II) Lawyers engaged by the Company.

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## NOTICE OF H SHARES CLASS MEETING

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- (III) H Shares holders of the Company whose names appear on the H Shares register of members of the Company at the close of market on 8 November 2023, shall have the right to attend the H Shares Class Meeting after completing the necessary registration procedures.

The register of members of the Company will be closed from 9 November 2023 to 13 November 2023 (both days inclusive), during which no H Shares transfer will be registered. For holders of H Shares who intend to attend the H Shares Class Meeting, transfer documents together with the relevant share certificates must be lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 November 2023.

Corporate shareholder should attend the meeting by its legal representative or the proxy appointed by the legal representative. Legal representative who attends the meeting should present his or her own identity document, valid documents evidencing his or her capacity as a legal representative and evidence of shareholding. While appointing a proxy to attend the meeting, the proxy should present his or her identity document, the power of attorney issued in writing by the legal representative of the corporate shareholder in accordance with the laws and evidence of shareholding.

1. Each Shareholder who is entitled to attend and vote at the H Shares Class Meeting may appoint one or more proxy(ies), who need not be a Shareholder, to attend and vote on his or her behalf at the EGM.
2. For any Shareholder who appoints more than one proxy, his or her proxies can only exercise the voting right by way of poll.
3. The instrument appointing a proxy must be in writing under the hand of the appointer or his or her attorney authorised in writing. If that instrument is signed by an attorney on behalf of the appointer, the power of attorney authorising that attorney to sign, or other authorisation documents, must be notarially certified. To be valid, the notarially certified copy of the power of attorney, or other authorisation documents, together with the form of proxy must be lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for the holding of the H Shares Class Meeting.

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## NOTICE OF H SHARES CLASS MEETING

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### OTHER MATTERS

1. Contact for the meeting

Contact telephone: 86 10 87707288  
Fax: 86 10 87707291  
Contact person: Board office of the Company  
Address: No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou  
District, Beijing, the PRC  
Postal Code: 101109

2. The H Shares Class Meeting is expected to last for half a day. Shareholders attending the meeting should bear their own accommodation and travel expenses.

3. Personnel attending the meeting shall arrive at the venue of the meeting half an hour before the commencement of the meeting and bring along the original identity document, stock account card and power of attorney for verification.

On behalf of the Board of  
**Beijing Jingcheng Machinery Electric Company Limited**  
**Luan Jie**  
*Company Secretary*

Beijing, the PRC  
25 October 2023

*As at the date of this notice, the Board of the Company comprises Mr. Zhang Jiheng as executive director, Mr. Li Junjie, Mr. Wu Yanzhang, Mr. Zhou Yongjun, Mr. Cheng Lei, Mr. Man Huiyong and Ms. Li Chunzhi as non-executive directors, and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.*