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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 you should take, 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 H shares in Zoomlion Heavy Industry Science and Technology Co., Ltd.\*, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or 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 Zoomlion Heavy Industry Science and Technology Co., Ltd.\*

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### Zoomlion Heavy Industry Science and Technology Co., Ltd.\* 中聯重科股份有限公司

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

**(Stock Code: 1157)**

## (1) PROPOSED ADOPTION OF STOCK OWNERSHIP PLAN (PHASE II) AND (2) NOTICE OF EGM

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A notice convening the EGM to be held at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC on Wednesday, 27 September 2023 at 2:30 p.m. is set out on pages 17 to 20 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed proxy form, in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in person or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish.

\* For identification purpose only

11 September 2023

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## DEFINITIONS

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

“A Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company which are listed on the Shenzhen Stock Exchange and traded in RMB
“Announcement”	the Company’s announcement dated 30 August 2023 relating to (among others) the proposed adoption of Stock Ownership Plan (Phase II)
“Announcement Date”	30 August 2023, being the date of the Announcement
“Articles”	the Company’s articles of association, as amended from time to time
“Benchmark”	the Net Profits for the financial year ended 31 December 2022
“Board”	the board of Directors
“Company”	中聯重科股份有限公司 (Zoomlion Heavy Industry Science and Technology Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability
“Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the last batch of A Shares is transferred to Stock Ownership Plan (Phase II)
“Effective Period”	a period of 10 years beginning the Effective Date, subject to extension
“Group”	the Company and its subsidiaries
“Guidelines”	Self-regulatory Guidelines for Listed Companies No. 1 – Standardised Operation issued by Shenzhen Stock Exchange

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## DEFINITIONS

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“Guiding Opinions”	the Guiding Opinions on the Pilot Program of Employee Stock Ownership Plans Implemented by Listed Companies
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Holder(s)”	participant(s) of Stock Ownership Plan (Phase II)
“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 of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	6 September 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Management Committee”	the management committee of Stock Ownership Plan (Phase II)
“Management Rules”	the management rules of Stock Ownership Plan (Phase II) proposed to be adopted by the Company, as set out in the Appendix to this circular
“Net Profits”	the audited net profits of the Company attributable to shareholders
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC, as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and H Share(s), or where the context requires, either of them

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of Shares
“Stock Ownership Plan (Phase II)”	the proposed stock ownership plan (phase II) for the Company’s core management team
“Supervisory Board”	the supervisory board of the Company
“%”	per cent.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### **Zoomlion Heavy Industry Science and Technology Co., Ltd.\*** **中联重科股份有限公司**

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

**(Stock Code: 1157)**

#### **Members of the Board**

*Chairman and executive Director:*

Dr. ZHAN Chunxin

*Non-executive Directors:*

Mr. HE Liu

Mr. WANG Xianping

*Independent non-executive Directors:*

Mr. ZHANG Chenghu

Mr. Guobin HUANG

Mr. WU Baohai

Ms. HUANG Jun

#### **Registered office**

No. 361, Yin Pen South Road

Changsha City, Hunan Province, PRC

*Dear Shareholders,*

### **(1) PROPOSED ADOPTION OF STOCK OWNERSHIP PLAN (PHASE II) AND (2) NOTICE OF EGM**

#### **1. INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular, of which this letter forms part, is to give you notice of the EGM and to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

At the EGM, ordinary resolutions will be proposed to consider and approve, among others, (i) adoption of Stock Ownership Plan (Phase II); (ii) adoption of the Management Rules; and (iii) authorisation to the Board to deal with all matters in connection with Stock Ownership Plan (Phase II). The notice of the EGM is set out on pages 17 to 20 of this circular.

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## LETTER FROM THE BOARD

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### 2. PROPOSED ADOPTION OF STOCK OWNERSHIP PLAN (PHASE II)

At the EGM, resolutions will be proposed for the approval and adoption of Stock Ownership Plan (Phase II) and other matters relating to it. The purpose of this section of the circular is to provide you with more details on such resolutions. A summary of the principal terms of Stock Ownership Plan (Phase II) is set out below.

#### A. Purpose

The purpose of Stock Ownership Plan (Phase II) is to further refine the Company's corporate governance structure, enhance corporate governance, establish and refine a mechanism to share benefits with contributors to and owners of the Company, further enhance team cohesion amongst employees, strengthen core competitiveness of the Company, promote the philosophy of sustainable joint development of the Company and the individuals, fully leverage on core management and key employees' incentive and creativity, and attract and promote continuity of excellent management talents and the Company's core business personnel.

The remuneration structure of the Company's core management is relatively flat.

A Shares previously repurchased by the Company will be transferred to Stock Ownership Plan (Phase II) by way of non-trade transfer. Such A Shares will initially be locked and then unlocked in different periods. Stock Ownership Plan (Phase II) will aid in providing a long-term incentive to and constituting a restraint on the Company's core management team, and ensure the Company achieves its long-term operation goals and strategic plans. As an innovative and long-term effective mechanism, it will help to further accelerate and promote the stability and team cohesion of the Company's core management team. It will also facilitate the establishment of a business which represents the common interests of the Company and its core management team, ultimately accelerating the transformation and upgrade of the Company and enhancing its long-term value.

Against the background of innovation and development as well as upgrading of the industry, Stock Ownership Plan (Phase II) helps to ensure that the Company's business layout will step onto a new track of rapid growth by optimising the operation and management mechanism and continuously improving the effectiveness and operational efficiency of management, with a view to sustaining the long-term, sustainable and healthy development of the Company.

#### B. Participants

##### *Basis of determining eligibility*

The list of Holders is determined by the Board in accordance with the relevant laws, rules and regulations, including the Company Law, the Securities Law, the Guiding Opinions and the Guidelines and the requirements of the Articles.

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## LETTER FROM THE BOARD

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### *Scope of Holders*

To ensure the implementation of the Company's long-term development strategies and plans, strengthen its market core competitiveness and stimulate steady acceleration of the Company's operating results, Holders will include the Company's core management and key employees who have a significant role in and impact on the overall operating results and mid-to-long term development of the Company and such other employees as the Board deems necessary to be included, subject to a cap of 1,500 Holders at the time of establishment of Stock Ownership Plan (Phase II).

The actual number of Holders will be subject to payment of subscription funds by employees to Stock Ownership Plan (Phase II). Employees who participate in the plan must have in place a service agreement with the Company or its subsidiaries.

### *Source of funds*

Stock Ownership Plan (Phase II) shall be funded by the participants' lawful salaries, self-raised funds and/or funds raised by other means permitted under laws and regulations. The Company is not allowed to provide any financial assistance, such as provision of advances and loans or guarantees for loans, to any Holder. There are no arrangements for third parties to provide incentives, subsidies, grants, or underwriting for employees to participate in Stock Ownership Plan (Phase II), and the funds to be contributed toward the plan does not involve leveraged funds.

The maximum amount of funds to be raised by Stock Ownership Plan (Phase II) is RMB1,343,943,000, which shall be divided into a maximum of 1,343,943,000 units to be subscribed at RMB1.00 each. Subscription by the employees shall only be made in whole units.

A Holder is required to pay the subscription funds in one lump sum according to the number of units subscribed in Stock Ownership Plan (Phase II), and his/her entitlement to subscribe such units will automatically lapse if he/she fails to settle the payment in full within one month of the Shareholders approving Stock Ownership Plan (Phase II). In such case, his/her entitlement to the A Shares (through subscription of units) may be taken up by other qualified participants. The actual number of units to be held by a Holder will be subject to the actual amount of subscription funds contributed by him/her.

The Management Committee may adjust the list of Holders and their respective entitlements to A Shares held by Stock Ownership Plan (Phase II) based on changes in, performance assessment of or other factors relating to, the employees.



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## LETTER FROM THE BOARD

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### C. Source and number of shares

#### *Source of shares*

The underlying shares of Stock Ownership Plan (Phase II) are the repurchased A Shares currently held in the Company's account specifically designated for share repurchases.

On 20 July 2022, the resolution on the proposed repurchase of A Shares by the Company was passed at the fourth extraordinary meeting of the sixth session of the Board. The repurchase of A Shares was completed on 19 July 2023. A total of 423,956,766 A Shares were repurchased, representing approximately 4.89% of the total issued share capital of the Company as at the Latest Practicable Date. The average repurchase price was RMB6.23 per A Share.

Subject to approval of Stock Ownership Plan (Phase II) by Shareholders, the A Shares credited to the account designated for share repurchases will be transferred by way of non-trade transfer to and held by Stock Ownership Plan (Phase II).

#### *Number of shares*

The maximum number of A Shares subject to Stock Ownership Plan (Phase II) is 423,956,766 A Shares, representing approximately 4.89% of the total issued share capital of the Company as at the Latest Practicable Date.

The total number of A Shares to be held by Stock Ownership Plan (Phase II) (once implemented) and allocated among the Holders shall not exceed 10% of the total issued share capital of the Company, when taken together with other share scheme(s) of the Company in effect.

The number of A Shares allocated to a single Holder as represented by the prorated number of units held by him/her in Stock Ownership Plan (Phase II), shall not exceed 1% of the total issued share capital of the Company. The aforesaid limit does not include A Shares that are acquired by the Holder prior to the initial public offering of the Company, purchased by the Holder himself/herself on the secondary market and/or obtained through share incentive schemes.

#### *Ex-rights/ex-dividend event*

If there is any ex-rights or ex-dividend event, such as capitalisation issue, bonus issue or payment of dividend, division of shares and share consolidation during the period from the Latest Practicable Date to the date on which Stock Ownership Plan (Phase II) acquires the repurchased A Shares, the number of A Shares subject to Stock Ownership Plan (Phase II) shall be adjusted accordingly.

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## LETTER FROM THE BOARD

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### **D. Purchase price and its basis of determination**

#### *Purchase price*

The price at which Stock Ownership Plan (Phase II) will purchase A Shares from the Company will be RMB3.17 per A Share. The purchase price shall be no less than the nominal value of A Shares and no less than the higher of the following: (i) 50% of the average trading price of A Shares on the trading day immediately preceding the Announcement Date (i.e. RMB3.17 per A Share) and (ii) 50% of the average trading price of A Shares in a period of 120 trading days immediately preceding the Announcement Date (i.e. RMB3.15 per A Share).

#### *Method of determination of the purchase price and its reasonableness*

The purchase price has been determined based on the principle of balance between incentive and restraints, taking into account the confidence in the prospects of the Company and recognition of its underlying value, with an objective to promote long-term sustainable development and protect the interest of the Shareholders.

Implementation of Stock Ownership Plan (Phase II) is to ensure the effectiveness of incentive and restraints and further stabilise and motivate the core management team, ultimately fuelling the sustainable development of the Company. Since the realisation of the participants' interests in Stock Ownership Plan (Phase II) is subject to the future performance and growth of market capitalisation of the Company, the interest of the employees aligns closely with that of the Shareholders and are tied together in the long-term. The participants of Stock Ownership Plan (Phase II) are considered to be vital to the stable development of the Company in the future.

Based on the above and taking into account the domestic and foreign macroeconomic environment, policy and regulatory requirements for the implementation of Stock Ownership Plan (Phase II), prevailing competition in attracting talents in the industry, capital contribution and pressure, fees and costs of implementing Stock Ownership Plan (Phase II) and the level of interest of the core management team in joining the plan, subject to relevant laws and regulations and regulatory documents, Stock Ownership Plan (Phase II) will acquire A Shares by way of non-trade transfer at a purchase price of RMB3.17 per A Share.

This pricing method will further enhance the motivation of the participants to join Stock Ownership Plan (Phase II) on one hand, while the Company on the other has set a relatively challenging performance target to be met, a mechanism to unlock shares in batches together with a lengthy effective term to create a bundling effect in satisfaction of the two elements of incentive and restraint and the basic principles. The restrictive incentive mechanism under Stock Ownership Plan (Phase II) will bring about positive effects on the operation sustainability of the Company and Shareholders' interests, with no prejudice to the interests of the Company and the Shareholders as a whole.

#### *Ex-rights/ex-dividend event*

If there is any ex-rights or ex-dividend event, such as capitalisation issue, bonus issue or payment of dividend, division of shares and share consolidation during the period from the Latest Practicable Date to the date on which Stock Ownership Plan (Phase II) acquires the repurchased A Shares, the purchase price shall be adjusted accordingly.

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## LETTER FROM THE BOARD

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### E. Effective Period, lock-up period and trading restrictions

#### *Effective Period*

- (i) Stock Ownership Plan (Phase II) shall be effective for 10 years, commencing from the Effective Date.
- (ii) Prior to its expiry, the Effective Period may be extended by consent of the Management Committee and approval of the Board.

#### *Lock-up period*

- (i) The A Shares transferred to Stock Ownership Plan (Phase II) by way of non-trade transfer as permitted under the relevant laws and regulations, shall be unlocked in stages after 12 months from the Effective Date. Upon expiry of the lock-up period, the A Shares are unlocked as follows:

<b>Batch</b>	<b>Lock-up period</b>	<b>Portion of A Shares unlocked (%)</b>
1	12 months from the Effective Date	40
2	24 months from the Effective Date	30
3	36 months from the Effective Date	30

- (ii) If there is any ex-rights or ex-dividend event, such as capitalisation issue, bonus issue and division of shares before unlocking of A Shares as mentioned above, the A shares newly acquired by Stock Ownership Plan (Phase II) will also be locked up and unlocked in the same manner as the A Shares to which the ex-rights or ex-dividend event relates.
- (iii) Performance target of the Company

A Shares held by Stock Ownership Plan (Phase II) will be unlocked in three batches over three years, based on Net Profits for the three financial years ending 31 December 2025 as benchmarked against the Benchmark. Details of the performance targets are as follows:

<b>Unlock period</b>	<b>Performance target</b>
First unlock period	As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2023 is no less than 40%, and the Net Profits for the financial year ending 31 December 2023 is no less than 75% of the Net Profits of comparable companies for the same year
Second unlock period	(i) As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2024 is no less than 60%, or the arithmetic mean of the growth rate of the Net Profits for the two financial years ending 31 December 2024 is no less than 50%, and (ii) the Net Profits for the financial year ending 31 December 2024 is no less than 75% of the Net Profits of comparable companies for the same year

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## LETTER FROM THE BOARD

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### Unlock period

### Performance target

Third unlock period

(i) As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2025 is no less than 110%, or the arithmetic mean of the growth rate of the Net Profits for the three financial years ending 31 December 2025 is no less than 70%, and (ii) the Net Profits for the financial year ending 31 December 2025 is no less than 75% of the Net Profits of comparable companies for the same year

The Company falls into the “Construction Machinery and Heavy Trucks” category based on Wind’s four-level industry classification standards. A-share listed companies with similar principal businesses are selected from such category as comparable companies. The list of 18 benchmark companies is as follows:

Stock code	Company name	Stock code	Company name
000425.SZ	XCMG Construction Machinery	600031.SH	Sany Heavy Industry
000528.SZ	Liugong Machinery	600169.SH	Taiyuan Heavy Industry
000680.SZ	Santui Construction Machinery	600761.SH	Anhui Heli
002097.SZ	Sunward Intelligent	600815.SH	Xiamen XGMA Machinery
002483.SZ	Jiangsu Rainbow Heavy Industries	600984.SH	Shaanxi Construction Machinery
002523.SZ	Tianqiao Crane	603280.SH	Fujian South Highway Machinery
600375.SH	Hanma Technology	688425.SH	China Railway Construction Heavy Industry
600320.SH	Shanghai Zhenhua Heavy Industries	603611.SH	Noblelift Intelligent Equipment
600262.SH	Beifang Co	603966.SH	Eurocrane China

*Note:* In the course of the annual performance assessment, if the samples are no longer relevant to the Company’s products and businesses, or there are significant deviations from extremum of the samples or other issues due to the changes in the classification of the industry to which the Company or the benchmark companies belongs, or the delisting of the benchmark companies or significant changes in the revenue and profit structure of their main businesses, the Board may exclude or replace the samples taking account of the actual situation.

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## LETTER FROM THE BOARD

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If a performance target is met, the corresponding portion of A Shares will be unlocked and the units represented by such A Shares will likewise be unlocked. The Management Committee will then sell the unlocked A Shares on the market at such timing and in such appropriate manner as it determines, in accordance with Stock Ownership Plan (Phase II). The sale proceeds after deducting the relevant tax and fees, will be distributed to the Holders according to Stock Ownership Plan (Phase II).

If a performance target is not met, the corresponding portion of A Shares will be unlocked but the units represented by such A Shares will not. The unlocked A Shares will be sold and the sales proceeds belong to the Company. The Company shall return the funds originally contributed by the Holders to Stock Ownership Plan (Phase II) based on their prorated interest in the said units together with interests accrued thereon with reference to the prevailing bank deposit rate, provided that such payments in aggregate shall not exceed the amount of sales proceeds received.

### *Trading restrictions*

Stock Ownership Plan (Phase II) shall strictly observe the market trading rules, and the relevant securities dealings requirements of CSRC and Shenzhen Stock Exchange. No dealings in Shares are allowed during the following periods:

- (i) during the period commencing from 30 days prior to the publication of annual and interim reports of the Company, or in the event of delay in publishing the annual or interim reports for special reasons, from 30 days prior to the original date of publication and ending on the date preceding such publication;
- (ii) during the period of 10 days preceding the publication of the quarterly reports, announcement of the estimated and preliminary results of the Company;
- (iii) during 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 their derivatives or the date on which the relevant decision-making procedures commence, and ending on the date of relevant disclosure in accordance with laws; and
- (iv) during any other period stipulated by CSRC and Shenzhen Stock Exchange.

If the relevant laws, administrative regulations and departmental rules (including the Hong Kong Listing Rules) stipulate otherwise in respect of the period(s) during which no dealings are allowed, the relevant provisions shall prevail.

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## LETTER FROM THE BOARD

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### *Reasonableness and compliance of the Effective Period, lock-up period and trading restrictions*

The Effective Period, lock-up period and unlocking arrangement of Stock Ownership Plan (Phase II) have been determined based on the principle of reciprocity between incentive and restraint for the purpose of sustaining the development of the Company in long term.

The A Shares under Stock Ownership Plan (Phase II) will be transferred at a discounted price and unlocked in stages after 12 months from the Effective Date, in proportions of 40%, 30% and 30%. The Company believes that the lock-up period can help to fully motivate the employees on one hand and set corresponding restraints on the employees on the other, with a view to more effectively integrating the interests of the Holders, the Company and the Shareholders to achieve the purpose of the Company for the implementation of Stock Ownership Plan (Phase II), that is to promote the further development of the Company.

### **F. Participation in fund raising exercises of the Company during the Effective Period**

If, during the Effective Period, the Company raises funds by way of placing, new issue of shares, issue of convertible bonds or other means, the Management Committee will determine whether or not to participate in such fund-raising exercise(s), and propose the same at a Holders' meeting for consideration. Stock Ownership Plan (Phase II) shall have the right to participate in all such subscriptions in a fair manner.

### **G. Amendments to and termination of Stock Ownership Plan (Phase II)**

#### *Amendments*

During the Effective Period, amendments to Stock Ownership Plan (Phase II) shall only be effective with the consent of Holders holding more than two-thirds of the units in the plan at a Holders' meeting, and subject to the approval of the Board.

#### *Termination*

Stock Ownership Plan (Phase II) shall automatically terminate upon the expiry of the Effective Period.

If all the assets held by Stock Ownership Plan (Phase II) upon the expiry of the lock-up period are monetary in nature, it may terminate early with the approval of more than two-thirds of the valid votes cast at a Holders' meeting, and subject to approval of the Board.

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## LETTER FROM THE BOARD

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### **H. Transferability**

During the Effective Period, no unit held in Stock Ownership Plan (Phase II) by or entitlement to underlying A Shares of a Holder may be withdrawn, transferred, or used to secure, pledge, guarantee or repay any debt, unless otherwise provided for under laws, regulations, rules and the Management Rules, or approved in a Holders' meeting.

### **I. Management of Stock Ownership Plan (Phase II)**

#### ***Management***

During the Effective Period, Stock Ownership Plan (Phase II) shall be managed by the Company. The Management Committee to be elected at a meeting of the Holders shall oversee the day-to-day management of Stock Ownership Plan (Phase II) and exercise Shareholders' rights on behalf of the Holders. The Management Committee shall manage the assets of Stock Ownership Plan (Phase II) in accordance with the relevant regulations issued by CSRC and other regulatory authorities and the Management Rules, maintain the legitimate rights and interest of the Holders and ensure the safety of the assets of Stock Ownership Plan (Phase II). Any changes to and early termination of Stock Ownership Plan (Phase II) shall be approved in a meeting of Holders, while extension of the Effective period shall be approved by the Management Committee, in each case in accordance with the terms of Stock Ownership Plan (Phase II) and the Management Rules, and subject to approval of the Board.

#### ***Holders' meeting***

An eligible participant who holds units in Stock Ownership Plan (Phase II) is considered a Holder, and a Holders' meeting is the highest internal management authority of Stock Ownership Plan (Phase II). All Holders shall have the right to attend a Holders' meeting. The following matters shall be considered at the Holders' Meeting:

- (i) election and removal of the members of the Management Committee;
- (ii) deciding whether to participate in the fund-raising matters of the Company;
- (iii) amending the Management Rules;
- (iv) authorising the Management Committee to supervise the day-to-day management of Stock Ownership Plan (Phase II);
- (v) authorising the Management Committee to exercise Shareholders' rights;
- (vi) making changes to and terminating early Stock Ownership Plan (Phase II); and
- (vii) matters that are considered by regulatory authorities or the Management Committee to be necessary for consideration at a Holders' meeting.

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## LETTER FROM THE BOARD

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The first Holders' meeting shall be convened and chaired by the chairman of the Company. The subsequent Holders' meetings shall be convened by the Management Committee and chaired by the head of the Management Committee. If the head of the Management Committee is unable to perform his/her duties, a member of the Management Committee designated by him/her shall chair the meeting.

### *Management Committee*

The Management Committee shall be elected at a Holders' meeting. The Management Committee shall consist of five members who are Holders. Directors, supervisors and members of senior management of the Company, members of the management committee of other employee stock ownership plan(s) of the Company and their respective relatives, cannot become members of the Management Committee. If there is any change in the composition of the Management Committee, a re-election shall be held at a Holders' meeting and such appointment shall be subject to the approval of more than half of the votes validly cast by the Holders (or their proxies) attending the Holders' meeting.

The Management Committee shall exercise the following duties and functions:

- (i) convening a Holders' meeting;
- (ii) overseeing the day-to-day management of Stock Ownership Plan (Phase II) on behalf of all Holders;
- (iii) exercising Shareholders' rights on behalf of all Holders including attending, proposing resolutions and voting at the Company's general meetings, and participating in the distribution of cash dividends, bond redemption, bonus issue, capitalisation issue, share and bond placements and other arrangements of the Company;
- (iv) determining the sale and distribution of the assets of Stock Ownership Plan (Phase II);
- (v) determining the extension of the Effective Period;
- (vi) adjusting the list of Holders and the allocation of units in Stock Ownership Plan (Phase II) within its scope of authority; and
- (vii) any other duties and functions as authorised by a Holders' meeting,

provided that in the case of (iii), the Management Committee (acting on behalf of Stock Ownership Plan (Phase II)) shall abstain from voting on matters that require Shareholders' approval under the Hong Kong Listing Rules in relation to locked/unvested A Shares, unless otherwise required by law to vote in accordance with the Holders' direction and such a direction is given.



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## LETTER FROM THE BOARD

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### **J. Authorisation and term of management**

The Management Committee is responsible for managing the assets held by Stock Ownership Plan (Phase II).

Unless otherwise decided by the Management Committee, the term of management of Stock Ownership Plan (Phase II) shall start from the date on which it is approved by the Shareholders or the Board until the date on which all the A Shares held by Stock Ownership Plan (Phase II) are sold and the assets therein are completely distributed.

### **K. Hong Kong Listing Rules implications**

Stock Ownership Plan (Phase II) constitutes a share scheme under Chapter 17 of the Hong Kong Listing Rules. The list of Holders will include directors (other than independent non-executive Directors) and supervisors of the Company and its subsidiaries, who are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. However, A Shares to be transferred to Stock Ownership Plan (Phase II) and allocated among such Holders will form part of their remuneration package under their respective service contracts with the Company and/or its subsidiaries. Accordingly, grants of such A Shares are fully exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Hong Kong Listing Rules.

### **3. EGM**

A notice convening the EGM to be held at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC on Wednesday, 27 September 2023 at 2:30 p.m. is set out on pages 17 to 20 of this circular.

If you intend to appoint a proxy to attend and vote at the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in person or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish.

The following Shareholders are interested in the resolutions to be proposed at the EGM and will abstain from voting: Changsha Zoomlion and Yisheng Investment Partnership (LLP)\* (長沙中聯和一盛投資合夥企業(有限合夥)), Cherry Sun (HK) Investment Management Limited, Hainan Rongyisheng Enterprise Management Partnership (LLP)\* (海南融一盛企業管理合夥企業(有限合夥)), Good Excel Group Limited, Shanghai Hongsheng Zhiyuan Enterprise Management Partnership (LLP)\* (上海鴻盛致遠企業管理合夥企業(有限合夥)), Fair Sun (Hong Kong) Holdings Limited and Zoomlion Heavy Industry Science and Technology Co., Ltd. – Phase I Employee Stock Ownership Plan\* (中聯重科股份有限公司–第一期員工持股計劃).

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## LETTER FROM THE BOARD

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#### 4. VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM in accordance with the Articles.

#### 5. RECOMMENDATION

The Board considers that all the resolutions to be proposed at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

By order of the Board  
**Zoomlion Heavy Industry Science and Technology Co., Ltd.\***  
**Zhan Chunxin**  
*Chairman*

Changsha, the PRC, 11 September 2023

\* *For identification purpose only*

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## NOTICE OF EGM

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### **Zoomlion Heavy Industry Science and Technology Co., Ltd.\*** **中联重科股份有限公司**

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

**(Stock Code: 1157)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** by the board (the “**Board**”) of directors (the “**Directors**”) of Zoomlion Heavy Industry Science and Technology Co., Ltd.\* (the “**Company**”) that the extraordinary general meeting of the Company (the “**EGM**”) will be held at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the People’s Republic of China at 2:30 p.m. on Wednesday, 27 September 2023 by way of physical meeting to consider and, if thought fit, pass the following resolutions:

#### **ORDINARY RESOLUTIONS**

**1. Resolution on the adoption of stock ownership plan (phase II) (“Stock Ownership Plan (Phase II)”)**

**THAT** Stock Ownership Plan (Phase II) (the terms of which is set out in the circular of the Company dated 11 September 2023 (the “**Circular**”), with summary as below) be and is hereby approved and adopted:

- (a) purpose of and principles underlying Stock Ownership Plan (Phase II);
- (b) basis of determining the eligibility and scope of participants of Stock Ownership Plan (Phase II);
- (c) source of funding;
- (d) source and number of A shares to be held by Stock Ownership Plan (Phase II);
- (e) list of participants of Stock Ownership Plan (Phase II) and their respective entitlements;
- (f) purchase price and its basis of determination;
- (g) effective period, lock-up period and trading restrictions;

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## NOTICE OF EGM

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- (h) amendments to, termination of and other matters relating to management of Stock Ownership Plan (Phase II); and
- (i) management of Stock Ownership Plan (Phase II).

**2. Resolution on the adoption of the management rules of Stock Ownership Plan (Phase II)**

**THAT** the management rules of Stock Ownership Plan (Phase II) (a summary of which is set out in the appendix to the Circular) be and are hereby approved and adopted.

**3. Resolution on the authorisation to the Board to do all acts and things as they consider necessary, expedient or desirable in connection with the implementation and administration of Stock Ownership Plan (Phase II)**

**THAT** the Board be and is hereby authorised to do all acts and things as they consider necessary, expedient or desirable in connection with the implementation and administration of Stock Ownership Plan (Phase II), including but not limited to the following:

- (a) preparing, modifying and amending the terms of Stock Ownership Plan (Phase II);
- (b) implementing Stock Ownership Plan (Phase II) including, but not limited to, dealing with the establishment of Stock Ownership Plan (Phase II), the opening and cancellation of securities/capital accounts, non-trade transfer of A shares and the lock-up and unlocking of A shares;
- (c) approving changes to, extending the effective period of or early terminate Stock Ownership Plan (Phase II);
- (d) removing or replacing comparable companies against which performance targets applicable to Stock Ownership Plan (Phase II) are benchmarked, taking account of actual circumstances;
- (e) amending Stock Ownership Plan (Phase II) in accordance with the newly promulgated laws, regulations and policies, if there is any subsequent change to relevant laws, regulations and policies during the effective period after approval of Stock Ownership Plan (Phase II) by shareholders;
- (f) handling other matters necessary for the implementation of Stock Ownership Plan (Phase II), except any right expressly stipulated to be exercised by shareholders in a general meeting; and

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## NOTICE OF EGM

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- (g) further authorising the management committee to handle the aforementioned matters relating to Stock Ownership Plan (Phase II) to the extent permitted by applicable laws and the terms of the plan.

By order of the Board  
**Zoomlion Heavy Industry Science and Technology Co., Ltd.\***  
**Zhan Chunxin**  
*Chairman*

Changsha, the PRC, 11 September 2023

*As at the date of this notice, the executive Director is Dr. Zhan Chunxin; the non-executive Directors are Mr. He Liu and Mr. Wang Xianping; and the independent non-executive Directors are Mr. Zhang Chenghu, Mr. Guobin Huang, Mr. Wu Baohai and Ms. Huang Jun.*

\* *For identification purpose only*

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## NOTICE OF EGM

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*Notes:*

**(1) Eligibility for attending the EGM and closure of H share register of members**

The H share register of members of the Company will be closed for the purpose of determining entitlement of holders of H shares to attend and vote at the EGM, from Tuesday, 26 September 2023 to Thursday, 28 September 2023 (both days inclusive), during which period no transfer of H shares will be registered. In order to attend and vote at the EGM, holders of H shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 25 September 2023.

**(2) Proxy**

- a. Each shareholder entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- b. The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
- c. To be valid, for holders of H shares, the proxy form and notarised power of attorney or other authorisation document must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the EGM (proxy form for use at the EGM is attached herewith). If a shareholder appoints more than one proxy, such proxies shall only exercise the right to vote by poll.

**(3) Registration procedures for attending the EGM**

A shareholder or his proxy should produce proof of identity when attending the EGM. If a shareholder is a legal entity, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the EGM by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

**(4) Voting by poll**

According to Rule 13.39(4) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM in accordance with the Company's articles of association.

**(5) Miscellaneous**

- a. The EGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the meeting in person are responsible for their own transportation and accommodation expenses.
- b. The address of Computershare Hong Kong Investor Services Limited is: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- c. The registered office of the Company is: No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC. Telephone: (86 731) 8878 8432. Fax: (86 731) 8565 1157. Email: 157@zoomlion.com.

**STOCK OWNERSHIP PLAN (PHASE II)**

The management rules of Stock Ownership Plan (Phase II) are formulated in accordance with the relevant laws, regulations and regulatory documents, such as the Company Law, the Securities Law, the Guiding Opinions, the Guidelines, the Guidance on Clearing and Settlement for the Pilot Program of Employee Stock Ownership Plans Implemented by Listed Companies issued by China Securities Depository and Clearing Corporation Limited, and the Articles, for the purpose of regulating Stock Ownership Plan (Phase II).

**Article 1 Purpose of Stock Ownership Plan (Phase II)**

The purpose of Stock Ownership Plan (Phase II) is to further refine the Company's corporate governance structure, enhance corporate governance, establish and refine a mechanism to share benefits with contributors to and owners of the Company, further enhance team cohesion amongst employees, strengthen core competitiveness of the Company, promote the philosophy of sustainable joint development of the Company and the individuals, fully leverage on core management and key employees' incentive and creativity, and attract and promote continuity of excellent management talents and the Company's core business personnel.

The remuneration structure of the Company's core management is relatively flat.

A Shares previously repurchased by the Company will be transferred to Stock Ownership Plan (Phase II) by way of non-trade transfer. Such A Shares will initially be locked and then unlocked in different periods. Stock Ownership Plan (Phase II) will aid in providing a long-term incentive to and constituting a restraint on the Company's core management team and ensure the Company achieves its long-term operation goals and strategic plans. As an innovative and long-term effective mechanism, it will help to further accelerate and promote the stability and team cohesion of the Company's core management team. It will also facilitate the establishment of a business which represents the common interests of the Company and its core management team, ultimately accelerating the transformation and upgrade of the Company and enhancing its long-term value.

Against the background of innovation and development as well as upgrading of the industry, Stock Ownership Plan (Phase II) helps to ensure that the Company's business layout will step onto a new track of rapid growth by optimising the operation and management mechanism and continuously improving the effectiveness and operational efficiency of management, with a view to sustaining the long-term, sustainable and healthy development of the Company.

**Article 2 Principles of Stock Ownership Plan (Phase II)**

The terms of Stock Ownership Plan (Phase II) and the Management Rules are formulated in accordance with the relevant laws, administrative regulations, rules and regulations and regulatory documents, such as the Company Law, the Securities Law, the Guiding Opinions, the Guidelines, and the requirements of the Articles. The Company's senior management and core management may participate in Stock Ownership Plan (Phase II) on a voluntary, legal and compliant basis.

***Principle of legality and compliance***

The Company implements Stock Ownership Plan (Phase II) strictly in compliance with the obligations to truly, accurately, completely and timely disclose information according to laws and administrative regulations. No one is allowed to commit any deceptive conduct such as insider dealing or market manipulation through Stock Ownership Plan (Phase II).

***Principle of willingness***

Stock Ownership Plan (Phase II) is implemented on a self-determined and voluntary participation basis. The Company does not force its employees to participate in Stock Ownership Plan (Phase II) by way of distribution or compulsory allotment.

***Principle of self-bearing of risk***

Participants of Stock Ownership Plan (Phase II) shall accept profit and loss and risk arising therefrom, whose rights rank equally with other investors.

**Article 3 Basis of determining eligibility*****Basis of determining eligibility***

The list of Holders is determined by the Board in accordance with the relevant laws, rules and regulations, including the Company Law, the Securities Law, the Guiding Opinions, the Guidelines and the requirements of the Articles.

***Scope of Holders***

To ensure the implementation of the Company's long-term development strategies and plans, strengthen its market core competitiveness and stimulate steady acceleration of the Company's operating results, the Holders will include the Company's core management and key employees who have a significant role in and impact on the overall operating results and mid-to-long term development of the Company and such other employees as the Board deems necessary to be included, subject to a cap of 1,500 Holders at the time of establishment of Stock Ownership Plan (Phase II), of which 19 are Directors, supervisors and senior management members of the Company. The actual number of Holders will be subject to payment of subscription funds to Stock Ownership Plan (Phase II) by the employees.



Employees who participate in Stock Ownership Plan (Phase II) must have in place a service agreement with the Company or its subsidiaries.

#### **Article 4 Source of funds**

- (1) Stock Ownership Plan (Phase II) shall be funded by the participants' lawful salaries, self-raised funds and/or funds raised by other means permitted under laws and regulations. The Company is not allowed to provide any financial assistance, such as provision of advances and loans or guarantees for loans, to any Holder. There are no arrangements for third parties to provide incentives, subsidies, grants, or underwriting for employees to participate in Stock Ownership Plan (Phase II), and the funds to be contributed toward the plan does not involve leveraged funds.
- (2) The maximum amount of funds to be raised by Stock Ownership Plan (Phase II) is RMB1,343,943,000, which shall be divided into a maximum of 1,343,943,000 units to be subscribed at RMB1.00 each. Subscription by the employees shall only be made in whole units.
- (3) A Holder is required to pay the subscription funds in one lump sum according to the number of units subscribed in Stock Ownership Plan (Phase II), and his/her entitlement to subscribe such units will automatically lapse if he/she fails to settle the payment in full within one month of the Shareholders approving Stock Ownership Plan (Phase II). In such case, his/her entitlement to the A Shares (through subscription of units) may be taken up by other qualified participants.

The actual number of units to be held by a Holder will be subject to the actual amount of subscription funds contributed by him/her. The Management Committee may adjust the list of Holders and their respective entitlements to A Shares held by Stock Ownership Plan (Phase II) based on changes in, performance assessment of or other factors relating to, the employees.

The total number of A Shares to be held by Stock Ownership Plan (Phase II) (once implemented) shall not exceed 10% of the total issued share capital of the Company, when taken together with other share scheme(s) of the Company in effect.

The number of A Shares allocated to a single Holder as represented by the prorated number of units held by him/her in Stock Ownership Plan (Phase II), shall not exceed 1% of the total issued share capital of the Company. The aforesaid limit does not include A Shares that are acquired by the Holder prior to the initial public offering of the Company, purchased by the Holder himself/herself on the secondary market and/or obtained through share incentive schemes.

**Article 5 Source and number of shares***Source of shares*

The underlying shares of Stock Ownership Plan (Phase II) are the repurchased A Shares currently held in the Company's account specifically designated for share repurchases. On 20 July 2022, the resolution on the proposed repurchase of A Shares by the Company was passed at the fourth extraordinary meeting of the sixth session of the Board. On 19 July 2023, the repurchase of A Shares was completed. Through the account designated for share repurchases, a total of 423,956,766 A Shares were repurchased, representing approximately 4.89% of the total issued share capital of the Company as at the Latest Practicable Date. The average repurchase price was RMB6.23 per A Share.

Subject to approval of Stock Ownership Plan (Phase II) by Shareholders, the A Shares credited to the account designated for share repurchases will be transferred by way of non-trade transfer to and held by Stock Ownership Plan (Phase II).

If there is any ex-rights or ex-dividend event, such as capitalisation issue, bonus issue or payment of dividend, division of shares and share consolidation during the period from the Latest Practicable Date to the date on which Stock Ownership Plan (Phase II) acquires the repurchased A Shares, the number of A Shares subject to Stock Ownership Plan (Phase II) shall be adjusted accordingly.

*Purchase price and its basis of determination**Purchase price*

The price at which Stock Ownership Plan (Phase II) will purchase A Shares from the Company will be RMB3.17 per A Share. The purchase price shall be no less than the nominal value of A Shares and no less than the higher of the following: (i) 50% of the average trading price of A Shares on the trading day immediately preceding the Announcement Date (i.e. RMB3.17 per A Share) and (ii) 50% of the average trading price of A Shares in a period of 120 trading days immediately preceding the Announcement Date (i.e. RMB3.15 per A Share).

If there is any ex-rights or ex-dividend event, such as capitalisation issue, bonus issue or payment of dividend, division of shares and share consolidation during the period from the Latest Practicable Date to the date on which Stock Ownership Plan (Phase II) acquires the repurchased A Shares, the purchase price shall be adjusted accordingly.

*Basis of determination of the purchase price and its reasonableness*

The purchase price has been determined based on the principle of balance between incentive and restraints, taking into account the confidence in the prospects of the Company and recognition of its underlying value, with an objective to promote long-term sustainable development and protect the interest of the Shareholders.

Implementation of Stock Ownership Plan (Phase II) is to ensure the effectiveness of incentive and restraints and further stabilise and motivate the core management team, ultimately fuelling the sustainable development of the Company. Since the realisation of the participants' interests in Stock Ownership Plan (Phase II) is subject to the future performance and growth of market capitalisation of the Company, the interest of the employees aligns closely with that of the Shareholders and are tied together in the long-term. The participants of Stock Ownership Plan (Phase II) are considered to be vital to the stable development of the Company in the future.

Based on the above and taking into account the domestic and foreign macroeconomic environment, policy and regulatory requirements for the implementation of Stock Ownership Plan (Phase II), prevailing competition in attracting talents in the industry, capital contribution and pressure, fees and costs of implementing Stock Ownership Plan (Phase II) and the level of interest of the core management team in joining the plan, subject to the relevant laws and regulations and regulatory documents, Stock Ownership Plan (Phase II) will acquire A Shares by way of non-trade transfer at a purchase price of RMB3.17 per A Share.

This pricing method will further enhance the motivation of the participants to join Stock Ownership Plan (Phase II) on one hand, while the Company on the other has set a relatively challenging performance target to be met, a mechanism to unlock shares in batches together with a lengthy effective term to create a bundling effect in satisfaction of the two elements of incentive and restraint and the basic principles. The restrictive incentive mechanism under Stock Ownership Plan (Phase II) will bring about positive effects on the operation sustainability of the Company and Shareholders' interests, with no prejudice to the interests of the Company and the Shareholders as a whole.

***Number of the underlying A Shares subject to Stock Ownership Plan (Phase II)***

Based on the number of A Shares repurchased by the Company, the maximum number of A Shares to be transferred from the account designated for share repurchases and to be held by Stock Ownership Plan (Phase II) is 423,956,766 A Shares, representing approximately 4.89% of the total issued share capital of the Company as at the Latest Practicable Date.

The total number of A Shares to be held by Stock Ownership Plan (Phase II) (once implemented) shall not exceed 10% of the total issued share capital of the Company, when taken together with other share scheme(s) of the Company in effect.

The number of A Shares allocated to a single Holder as represented by the prorated number of units held by him/her in Stock Ownership Plan (Phase II), shall not exceed 1% of the total issued share capital of the Company. The aforesaid limit does not include A Shares that are acquired by the Holder prior to the initial public offering of the Company, purchased by the Holder himself/herself on the secondary market and/or obtained through share incentive schemes.

**Article 6 Holders and allocation of their entitlements**

Below is the list of the Holders and their respective entitlements under Stock Ownership Plan (Phase II):

No.	Name	Position	Number of units (RMB10,000)	% to total units	Number of A Shares represented by the units (10,000 A Shares)	% to total number Shares in issue <sup>1</sup>
<b>Directors, supervisors and senior management of the Company</b>						
1.	Zhan Chunxin	Chairman, chief executive officer	8,801	6.55	2,776	0.32
2.	Xiong Yanming	Supervisor	1,585	1.18	500	0.06
3.	Liu Xiaoping	Employee supervisor	1,426	1.06	450	0.05
4.	Wang Yongxiang	Joint president	2,219	1.65	700	0.08
5.	Luo Kai	Joint president	2,219	1.65	700	0.08
6.	Tang Shaofang	Joint president	2,219	1.65	700	0.08
7.	Du Yigang	Chief financial officer	2,219	1.65	700	0.08
8.	Sun Changjun	Vice president	1,902	1.42	600	0.07
9.	Fu Ling	Vice president, chief engineer	2,219	1.65	700	0.08
10.	Chen Peiliang	Vice president	1,743	1.30	550	0.06
11.	Shen Ke	Vice president	1,743	1.30	550	0.06
12.	Hu Keman	Vice president	1,902	1.42	600	0.07
13.	Huang Jianbing	Assistant president	1,585	1.18	500	0.06
14.	Qin Xiuhong	Assistant president	1,426	1.06	450	0.05
15.	Tian Bing	Assistant president	1,426	1.06	450	0.05
16.	Wang Furong	Assistant president	1,426	1.06	450	0.05
17.	Dong Jun	Assistant president	1,426	1.06	450	0.05
18.	Yuan Ye	Assistant president	1,743	1.30	550	0.06
19.	Yang Duzhi	Company secretary	951	0.71	300	0.03
		<b>Subtotal</b>	40,184	29.90	12,676	1.46
	<b>Other employees</b>		94,210	70.10	29,719	3.42
		<b>Total</b>	134,394	100	42,396	4.89

Note 1: Based on the Company's total share capital as at the Latest Practicable Date, being 8,677,992,236 Shares.

The actual number of units to be held by a Holder will be subject to the actual amount of subscription funds contributed by him/her. The Management Committee may adjust the list of Holders and their respective entitlements to A Shares held by Stock Ownership Plan (Phase II) based on the change in, and performance assessment of or other factors relating to, the employees.

#### **Article 7 Effective Period, lock-up period and trading restrictions**

##### ***Effective Period***

- (i) Stock Ownership Plan (Phase II) shall be effective for 10 years, commencing from the Effective Date.
- (ii) Prior to its expiry, the Effective Period may be extended by consent of the Management Committee and approval of the Board.

##### ***Lock-up period***

- (i) The A Shares transferred to Stock Ownership Plan (Phase II) by way of non-trade transfer as permitted under the relevant laws and regulations shall be unlocked in stages after 12 months from the Effective Date. Upon expiry of the lock-up period, the A Shares are unlocked as follows:

<b>Batch</b>	<b>Lock-up period</b>	<b>Portion of A Shares unlocked (%)</b>
1	12 months from the Effective Date	40
2	24 months from the Effective Date	30
3	36 months from the Effective Date	30

- (ii) If there is any ex-rights or ex-dividend event, such as capitalisation issue, bonus issue and division of shares before unlocking of A Shares as mentioned above, the A shares newly acquired by Stock Ownership Plan (Phase II) will also be locked up and unlocked in the same manner as the A Shares to which the ex-rights or ex-dividend event relates.
- (iii) A Shares held by Stock Ownership Plan (Phase II) will be unlocked in three batches over three years, based on Net Profits for the three financial years ending 31 December 2025 as benchmarked against the Benchmark. Details of the performance targets are as follows:

<b>Unlock period</b>	<b>Performance target</b>
First unlock period	As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2023 is no less than 40%, and the Net Profits for the financial year ending 31 December 2023 is no less than 75% of the Net Profits of comparable companies for the same year

<b>Unlock period</b>	<b>Performance target</b>
Second unlock period	(i) As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2024 is no less than 60%, or the arithmetic mean of the growth rate of the Net Profits for the two financial years ending 31 December 2024 is no less than 50%, and (ii) the Net Profits for the financial year ending 31 December 2024 is no less than 75% of the Net Profits of comparable companies for the same year
Third unlock period	(i) As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2025 is no less than 110%, or the arithmetic mean of the growth rate of the Net Profits for the three financial years ending 31 December 2025 is no less than 70%, and (ii) the Net Profits for the financial year ending 31 December 2025 is no less than 75% of the Net Profits of comparable companies for the same year

The Company falls into the “Construction Machinery and Heavy Trucks” category based on Wind’s four-level industry classification standards. A-share listed companies with similar principal businesses are selected from such category as comparable companies. The list of 18 benchmark companies is as follows:

<b>Stock code</b>	<b>Company name</b>	<b>Stock code</b>	<b>Company name</b>
000425.SZ	XCMG Construction Machinery	600031.SH	Sany Heavy Industry
000528.SZ	Liugong Machinery	600169.SH	Taiyuan Heavy Industry
000680.SZ	Santui Construction Machinery	600761.SH	Anhui Heli
002097.SZ	Sunward Intelligent	600815.SH	Xiamen XGMA Machinery
002483.SZ	Jiangsu Rainbow Heavy Industries	600984.SH	Shaanxi Construction Machinery
002523.SZ	Tianqiao Crane	603280.SH	Fujian South Highway Machinery
600375.SH	Hanma Technology	688425.SH	China Railway Construction Heavy Industry
600320.SH	Shanghai Zhenhua Heavy Industries	603611.SH	Noblelift Intelligent Equipment
600262.SH	Beifang Co	603966.SH	Eurocrane China

*Note:* In the course of the annual performance assessment, if the samples are no longer relevant to the Company's products and businesses, or there are significant deviations from extremum of the samples or other issues due to the changes in the classification of the industry to which the Company or the benchmark companies belongs, or the delisting of the benchmark companies or significant changes in the revenue and profit structure of their main businesses, the Board may exclude or replace the samples taking account of the actual situation.

If a performance target is met, the corresponding portion of A Shares will be unlocked and the units represented by such A Shares will likewise be unlocked. The Management Committee will then sell the unlocked A Shares on the market at such timing and in such appropriate manner as it determines, in accordance with Stock Ownership Plan (Phase II). The sale proceeds after deducting the relevant tax and fees, will be distributed to the Holders according to Stock Ownership Plan (Phase II).

If a performance target is not met, the corresponding portion of A Shares will be unlocked but the units represented by such A Shares will not. The unlocked A Shares will be sold and the sales proceeds belong to the Company. The Company shall return the funds originally contributed by the Holders to Stock Ownership Plan (Phase II) based on their prorated interest in the said units together with interests accrued thereon with reference to the prevailing bank deposit rate, provided that such payments in aggregate shall not exceed the amount of sales proceeds received.

#### ***Trading restrictions***

Stock Ownership Plan (Phase II) shall strictly observe the market trading rules, and the relevant securities dealings requirements of CSRC and Shenzhen Stock Exchange. No dealings in Shares are allowed during the following periods:

- (i) during the period commencing from 30 days prior to the publication of annual and interim reports of the Company, or in the event of delay in publishing the annual or interim reports for special reasons, from 30 days prior to the original date of publication and ending on the date preceding such publication;
- (ii) during the period of 10 days preceding the publication of the quarterly reports, announcement of the estimated and preliminary results of the Company;
- (iii) during 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 their derivatives or the date on which the relevant decision-making procedures commence, and ending on the date of relevant disclosure in accordance with laws; and
- (iv) during any other period stipulated by CSRC and Shenzhen Stock Exchange.

If the relevant laws, administrative regulations and departmental rules (including the Hong Kong Listing Rules) stipulate otherwise in respect of the period(s) during which no dealings are allowed, the relevant provisions shall prevail.

***Reasonableness and compliance of the Effective Period, lock-up period and trading restrictions***

The Effective Period, lock-up period and unlocking arrangement of Stock Ownership Plan (Phase II) have been determined based on the principle of reciprocity between incentive and restraint for the purpose of sustaining the development of the Company in long term.

The A Shares under Stock Ownership Plan (Phase II) will be transferred at a discounted price and unlocked in stages after 12 months from the Effective Date, in proportions of 40%, 30% and 30%. The Company believes that the lock-up period can help to fully motivate the employees on one hand and set corresponding restraints on the employees on the other, with a view to more effectively integrating the interests of the Holders, the Company and the Shareholders to achieve the purpose of the Company for the implementation of Stock Ownership Plan (Phase II), that is to promote the further development of the Company.

**Article 8 Participation in fund raising exercises of the Company during the Effective Period**

If, during the Effective Period, the Company raises funds by way of placing, new issue of shares, issue of convertible bonds or other means, the Management Committee will determine whether or not to participate in such fund-raising exercise(s), and propose the same at a Holders' meeting for consideration. Stock Ownership Plan (Phase II) shall have the right to participate in all such subscriptions in a fair manner.

**Article 9 Amendments to and termination of Stock Ownership Plan (Phase II)**

***Amendments***

During the Effective Period, amendments to Stock Ownership Plan (Phase II) shall only be effective with the consent of Holders holding more than two-thirds of the units in the plan at a Holders' meeting, and subject to the approval of the Board.

***Termination***

Stock Ownership Plan (Phase II) shall automatically terminate upon the expiry of the Effective Period.

If all the assets held by Stock Ownership Plan (Phase II) upon the expiry of the lock-up period are monetary in nature, it may terminate early with the approval of more than two-thirds of the valid votes cast at a Holders' meeting, and subject to approval of the Board.



*Liquidation and distribution*

- (i) Upon expiry or early termination of Stock Ownership Plan (Phase II), the Management Committee shall promptly liquidate and make distribution according to the number of units held by the Holders. If Stock Ownership Plan (Phase II) still holds A Shares upon expiry of the Effective Period, the specific method of share disposal shall be determined by the Management Committee.
- (ii) During the Effective Period, the Management Committee may distribute any distributable gain, such as cash arising from the disposal of the underlying A Shares or dividends received therefrom held by Stock Ownership Plan (Phase II), in each accounting year in accordance with the requirements of Stock Ownership Plan (Phase II). Holders shall have no right to demand any distribution from Stock Ownership Plan (Phase II).

*Disposal of entitlements of the Holders**Change in entitlements and the relevant treatment*

- (i) During the Effective Period, in the event of the incapacity or death of a Holder where the Company is not adversely affected, such Holder or his legal successor shall be entitled to the entitlements under Stock Ownership Plan (Phase II) and the cash proceeds realised therefrom prior to the date of incident, according to the number of units held by such Holder. Such Holder or his legal successor shall not be entitled to any cash proceeds unrealised therefrom, which shall be returned to and treated by Stock Ownership Plan (Phase II) according to the following principles:
  - a. Units which remain locked: At the original purchase price of the underlying A Shares corresponding to the relevant units plus the interest accrued thereon at a prevailing interest rate, and the market price (being the closing price of the shares on the trading day before the date on which the Management Committee decides to disqualify the Holder from participating in Stock Ownership Plan (Phase II)), whichever is the lower;
  - b. Unlocked entitlements: At the original purchase price of the underlying A Shares corresponding to the relevant units, and 90% of the market price (being the closing price of the shares on the trading day before the date on which the Management Committee decides to disqualify the Holder from participating in Stock Ownership Plan (Phase II)), whichever is the higher.
- (ii) During the Effective Period, if a Holder ceases employment with the Company due to redundancy, or terminates or rescinds the service agreement with the Group under mutual agreement and the Company is not adversely affected, such Holder shall be entitled to the entitlements under Stock Ownership Plan (Phase II) and the cash proceeds realised therefrom prior to the date of such incident, according to the number of units held by such Holder. Such Holder shall not be entitled to any cash proceeds unrealised therefrom,

which shall be returned to and treated by Stock Ownership Plan (Phase II) according to the following principles: at the original purchase price of the underlying A Shares, and the market price (being the closing price of the shares on the trading day before the date on which the Management Committee decides to disqualify the Holder from participating in Stock Ownership Plan (Phase II)), whichever is the lower, whether or not the units have been unlocked.

- (iii) If a Holder retires during the Effective Period, his qualification to participate in and the cash proceeds realised from the units held and the number of units held by such Holder under Stock Ownership Plan (Phase II) remain unaffected, and shall be dealt with according to the assessment on such Holder during his term of office. No further assessment will be conducted.
- (iv) During the Effective Period, if any of the following occurs on the part of a Holder, the Management Committee may disqualify him/her from further participating in, and cancel the relevant units held by him/her under Stock Ownership Plan (Phase II):
  - a. a Holder violates the relevant laws, administrative regulations or the Articles and causes economic loss to the Company;
  - b. a Holder commits a serious breach of duty or dereliction of duty;
  - c. a Holder commits illegal conduct or a disciplinary offence, such as receiving bribes, conversion or theft, or divulgence of trade or technological secrets, or engaging in competition with the Group, which damages the interest and reputation of the Group;
  - d. a Holder ceases his service with the Group without approval of the Company;
  - e. a Holder does not renew his service agreement with the Group upon expiry of the existing one;
  - f. a Holder is demoted and no longer qualified to participate in Stock Ownership Plan (Phase II); or
  - g. a Holder commits any other conduct which is considered by the Board as damaging the interest of the Company.

To the extent A Shares have been sold, the Management Committee is entitled to request the return of the cash proceeds from the Holder. To the extent that A Shares remain held by Stock Ownership Plan (Phase II), entitlements of the Holder to the underlying A Shares will be cancelled and monies representing the lower of: (i) initial purchase price of the underlying A Shares and (ii) the market price (being the closing price of the A Shares on the trading day before the date on which the Management Committee decides to disqualify the Holder), will be returned to him/her.

- (v) During the Effective Period, the Management Committee may make adjustment to the list of employees participating in Stock Ownership Plan (Phase II) and their respective entitlements according to the change in Holders and the relevant assessment. If the Management Committee reduces the number of units held by a Holder in Stock Ownership Plan (Phase II), such reduced entitlements shall be returned to Stock Ownership Plan (Phase II) at the original purchase price of the underlying A Shares, and the market price (being the closing price of the A Shares on the trading day before the date on which the Management Committee decides to disqualify the Holder from participating in Stock Ownership Plan (Phase II)), whichever is the lower.

#### *Transferability*

During the Effective Period, no unit held in Stock Ownership Plan (Phase II) by or entitlement to underlying A Shares of a Holder may be withdrawn, transferred, or used to secure, pledge, guarantee or repay any debt, unless otherwise provided for under laws, regulations, rules and the Management Rules, or approved in a Holders' meeting.

#### *Distribution of entitlements*

During the Effective Period, the Management Committee may reallocate A Shares returned to Stock Ownership Plan (Phase II), determine the scope of employees who are entitled to interests in Stock Ownership Plan (Phase II), and set the price of transfer and other relevant restrictions. If a transferee is a Director, supervisor or senior management of the Company then relevant disclosure shall be made timely and completely.

Other situations not provided for shall be dealt with in such manner as determined by the Management Committee.

### **Article 10 Duties, convening and voting procedures of a Holders' Meeting and the Management Committee**

#### *Holders' meeting*

An eligible participant who holds units in Stock Ownership Plan (Phase II) is considered a Holder, and a Holders' meeting is the highest internal management authority of Stock Ownership Plan (Phase II). All Holders shall have the right to attend a Holders' meeting. A Holder may attend a Holders' meeting and vote in person, or otherwise appoint a proxy to attend and vote on his/her behalf. The travel and accommodation expenses of a Holder and his/her proxies for attending a Holders' meeting shall be borne by the Holder himself/herself.

The following matters shall be considered at a Holders' Meeting:

- (i) election and removal of the members of the Management Committee;
- (ii) deciding whether to participate in the fund raising matters of the Company;

- (iii) amending the Management Rules;
- (iv) authorising the Management Committee to supervise the day-to-day management of Stock Ownership Plan (Phase II);
- (v) authorising the Management Committee to exercise Shareholders' rights;
- (vi) making changes to and terminate early Stock Ownership Plan (Phase II); and
- (vii) matters that are considered by the regulatory authorities or the Management Committee to be necessary for consideration at a Holders' meeting.

The first Holders' meeting shall be convened and chaired by the chairman of the Company. Subsequent Holders' meetings shall be convened by the Management Committee and chaired by the head of the Management Committee. If the head of the Management Committee is unable to perform his/her duties, a member of the Management Committee designated by him/her shall chair the meeting.

To convene a Holders' meeting, the Management Committee shall give three days' prior written notice of the meeting to all Holders by direct service, mail, fax, email or other means. The written notice of the meeting shall include at least the following:

- (i) time and place of the meeting;
- (ii) way to convene the meeting;
- (iii) matters proposed to be considered;
- (iv) convener and chairperson of the meeting;
- (v) materials of the meeting necessary for voting at the meeting;
- (vi) a Holder shall attend in person or otherwise appoint other Holder as proxy to attend the meeting on his/her behalf;
- (vii) contact person and method; and
- (viii) issue date of the notice.

Voting procedures at the meeting:

- (i) a Holder shall exercise voting rights corresponding to the units held by him/her on the matters to be considered;

- (ii) a Holders' meeting may be held in the form of on-site meeting or through communication; and
- (iii) each resolution shall be valid and effective if it is passed by more than half of the effective voting rights held by the Holders (or their proxies) attending the Holders' meeting. However, any change to and early termination of Stock Ownership Plan (Phase II) shall be subject to approval by more than two-thirds of the effective voting rights held by the Holders (or proxies) attending the Holders' meeting. The number of voting rights held by a Holder shall be determined by the number of units held by him/her, where each unit represents one vote.

If the resolutions of a Holders' Meeting are required to be submitted to the Board or the Company's general meeting for consideration and approval, they shall be submitted to the Board or the general meeting (as applicable) for consideration and approval in accordance with the Articles.

A Holder who individually or jointly holds more than 5% of the total units of Stock Ownership Plan (Phase II) may submit an extraordinary proposal to the Holders' meeting, which has to be submitted to the Management Committee two days prior to the Holders' meeting. A Holder who individually or jointly holds more than 15% of total units of Stock Ownership Plan (Phase II) may propose to convene a Holders' meeting.

#### ***Management Committee***

The Management Committee shall be elected at a Holders' Meeting. The Management Committee shall consist of five members who are Holders. Directors, supervisors and members of senior management of the Company, members of the management committee of other employee stock ownership plan(s) of the Company and their respective relatives cannot become members of the Management Committee. If there is any change in the composition of the Management Committee, a re-election shall be held at a Holders' meeting and such appointment shall be subject to the approval of more than half of the votes validly cast by the Holders (or their proxies) attending the Holders' meeting.

The Management Committee shall have a head, who shall be elected by more than half of the members of the Management Committee.

The Management Committee shall exercise the following duties and functions:

- (i) convening a Holders' meeting;
- (ii) overseeing the day-to-day management of Stock Ownership Plan (Phase II) on behalf of all Holders;

- (iii) exercising Shareholders' rights on behalf of all Holders including attending, proposing resolutions and voting at a Shareholders' meeting, and participating in the distribution of cash dividends, bond redemption, bonus issue, capitalisation issue, share and bond placements and other arrangements of the Company;
- (iv) determining the sale and distribution of the assets of Stock Ownership Plan (Phase II);
- (v) determining the extension of the Effective Period;
- (vi) adjusting the list of employees and the allocation of units under Stock Ownership Plan (Phase II) within its scope of authority; and
- (vii) any other duties and functions as authorised by the Holders' meeting,

provided that in the case of (iii), the Management Committee (acting on behalf of Stock Ownership Plan (Phase II)) shall abstain from voting on matters that require Shareholders' approval under the Hong Kong Listing Rules in relation to locked/unvested A Shares, unless otherwise required by law to vote in accordance with the Holders' direction and such a direction is given.

The head of the Management Committee shall exercise the following duties and powers:

- (i) chairing the Holders' meetings, and convening and chairing the Management Committee's meetings;
- (ii) supervising and inspecting the implementation of the resolutions of the Holders' meetings and the Management Committee's meetings; and
- (iii) any other duties and powers as granted by the Management Committee.

The Management Committee's meeting shall be held at least once a year and may be held from time to time and convened by the head of the Management Committee. The notice of the meeting shall be delivered to all members of the Management Committee two days before the meeting, and the notification method may be by mail, telephone, fax or other means.

The Management Committee's meeting shall be convened only if more than half of the members are present. Each member of the Management Committee shall have one vote at the meeting. A resolution of the meeting must be passed by more than half of the members of the Management Committee.

A member of the Management Committee shall attend the Management Committee's meeting in person. If a member of the Management Committee is unable to attend for whatever reason, he/she may appoint other member as proxy in writing to attend the meeting.

The Management Committee may set up a special affairs enforcement unit to handle various affairs relating to the operation and management of Stock Ownership Plan (Phase II).

*Measures for risk prevention and segregation*

The Management Committee shall be elected at the Holders' meeting. The Management Committee shall perform the day-to-day management duties of Stock Ownership Plan (Phase II) and exercise Shareholders' rights on behalf of the plan in accordance with the terms of Stock Ownership Plan (Phase II). The Management Committee shall be responsible to all Holders, and report to the Holders' meeting and accept its supervision. The rights and obligations of the Management Committee are clearly stipulated in Stock Ownership Plan (Phase II) and the Management Rules, and the measures for risk prevention and segregation are sufficient.

*Voting at the Company's general meeting*

During the Effective Period, if the Company convenes a general meeting, Stock Ownership Plan (Phase II) may attend the meeting and exercise its rights as a Shareholder on limited basis subject to the terms and conditions stated above. In particular Stock Ownership Plan (Phase II) may generally exercise its rights as a Shareholder only with respect to the batch of units that are unlocked after the performance target has been met.

Exercise of Shareholders' rights at the Company's general meeting shall be subject to approval by the Management Committee and made in the manner so approved. If the relevant matter is required by the terms of Stock Ownership Plan (Phase II) and the Management Rules to be considered and approved at a Holders' meeting, then such rights shall be exercised in accordance with resolutions of the Holders' meeting.

If the Company convenes a general meeting which considers proposals concerning transactions between the Company and a Holder then Stock Ownership Plan (Phase II) shall abstain from voting.

**Article 11 Management of Stock Ownership Plan (Phase II)**

During the Effective Period, Stock Ownership Plan (Phase II) shall be managed by the Company. The Management Committee elected at a Holders' meeting is responsible for supervising the day-to-day management of Stock Ownership Plan (Phase II) and exercising Shareholders' rights on behalf of the Holders.

A Shareholders' meeting, as the highest authority of the Company, is responsible for considering and approving Stock Ownership Plan (Phase II).

The Board is responsible for preparing and modifying Stock Ownership Plan (Phase II) and handling matters relating to it within the scope authorised by Shareholders.

The Supervisory Board is responsible for providing opinion on whether Stock Ownership Plan (Phase II) is conducive to the Company's sustainable development, whether it will jeopardise the interests of the Company and the Shareholders as a whole, whether the Company has compelled the employees to compulsorily participate in Stock Ownership Plan (Phase II) by means of apportionment, mandatory allocation or other ways, and soliciting opinions from employees by convening a trade union committee's meeting before launching Stock Ownership Plan (Phase II).

An independent Director is responsible for providing independent opinion on whether Stock Ownership Plan (Phase II) is conducive to the Company's sustainable development, whether it will jeopardise the interests of the Company and the Shareholders as a whole, whether the Company has compelled the employees to compulsorily participate in Stock Ownership Plan (Phase II) by means of apportionment, mandatory allocation or other ways, and soliciting opinions from employees by convening a trade union committee's meeting before launching Stock Ownership Plan (Phase II).

The Management Committee shall be elected at a Holders' meeting. The Management Committee, which consists of five members, is responsible for supervising the day-to-day operation of Stock Ownership Plan (Phase II) and exercising the Shareholders' rights on behalf of the Holders.

During the Effective Period, the Management Committee shall manage the assets of Stock Ownership Plan (Phase II) in accordance with the relevant regulations issued by CSRC and other regulatory authorities and the Management Rules, maintain the legitimate rights and interest of the Holders and ensure the safety of the assets of Stock Ownership Plan (Phase II).

Any changes to and early termination of Stock Ownership Plan (Phase II) shall be approved in a meeting of Holders, while extension of the Effective period shall be approved by the Management Committee, in each case in accordance with the terms of Stock Ownership Plan (Phase II) and Management Rules, and subject to approval of the Board.

#### **Article 12 Authorisation to manage, and duration of, Stock Ownership Plan (Phase II)**

The Management Committee is responsible for managing the assets held by Stock Ownership Plan (Phase II).

Unless otherwise decided by the Management Committee, the term of management of Stock Ownership Plan (Phase II) shall start from the date on which it is approved by the Shareholders or the Board until the date on which all the A Shares held by Stock Ownership Plan (Phase II) are sold and the assets therein are completely distributed.



**Article 13 Relevant accounts of and assets held by Stock Ownership Plan (Phase II)**

The Company shall open a securities account, a capital account and other relevant account for Stock Ownership Plan (Phase II).

Assets under Stock Ownership Plan (Phase II) comprise:

- (i) A Shares;
- (ii) cash deposits and interest accrued thereon; and
- (iii) other assets, such as gains derived from asset management.

The A Shares and funds held by Stock Ownership Plan (Phase II) are fixed assets independent of the Company's fixed assets. Unless otherwise expressly provided for in Stock Ownership Plan (Phase II), the Company shall not treat the assets held by the plan as part of its fixed assets; unless otherwise expressly provided for in Stock Ownership Plan (Phase II), the assets and proceeds obtained as a result of the management and utilisation of Stock Ownership Plan (Phase II) or other circumstances shall be treated as part of the assets of plan.

The assets held by Stock Ownership Plan (Phase II) are independent from the Company's assets. The Company and its creditors shall have no right to freeze, seize, pledge or otherwise dispose of the assets held by Stock Ownership Plan (Phase II).

**Article 14 Tax and fees payable by Stock Ownership Plan (Phase II)*****Tax***

Tax paying entity/individual involved in Stock Ownership Plan (Phase II) shall perform its/his/her obligation to pay tax in accordance with the laws and regulations of the PRC.

***Fees***

Stock Ownership Plan (Phase II) shall book and pay the trading fees and stamp duties arising from a transaction upon its occurrence.

***Other expenses***

Other expenses other than trading fees and stamp duties shall be paid by the Management Committee from the assets of Stock Ownership Plan (Phase II) in accordance with the relevant laws, regulations and agreements.

**Article 15 Disposal of assets under Stock Ownership Plan (Phase II)**

- (1) During the Effective Period, unless otherwise required under laws, regulations, rules, terms of Stock Ownership Plan (Phase II) and the Management Rules or otherwise approved at a Holders' meeting, no unit of Stock Ownership Plan (Phase II) held by a Holder may be transferred, pledged or otherwise disposed. No Holder is allowed to demand for distribution of assets under Stock Ownership Plan (Phase II).
- (2) Upon expiry of a lock-up period until the expiry of the Effective Period, the Management Committee is responsible for selling the A Shares underlying Stock Ownership Plan (Phase II). The Management Committee may decide to conduct market value management for Stock Ownership Plan (Phase II), including but not limited to, secured financing, acquisition and sale of the underlying A Shares, distribution of cash assets to Holders, provided that no locked A Shares can be sold.
- (3) Stock Ownership Plan (Phase II) shall automatically terminate upon the expiry of the Effective Period. Upon expiry or early termination of Stock Ownership Plan (Phase II), the Management Committee shall promptly liquidate all assets and make distribution to the Holders according to the number of units held by them. If the assets held by Stock Ownership Plan (Phase II) still include A Shares upon expiry of the Effective Period, the specific method of share disposal shall be determined by the Management Committee.

**Article 16 Rights and obligations of the Holders*****Rights and obligations of the Company and the Management Committee***

The Management Committee is entitled to exercise the following rights:

- (i) supervising the operation of Stock Ownership Plan (Phase II) and safeguarding the interest of the Holders; and
- (ii) any other rights provided in the relevant laws, administrative regulations and other requirements of CSRC.

The Company/the Management Committee need to bear the following obligations:

- (i) fulfilling the disclosure obligations regarding Stock Ownership Plan (Phase II) in a truthful, accurate, complete and timely manner;
- (ii) providing support for the opening and cancellation of securities accounts and capital accounts and other forms of support to Stock Ownership Plan (Phase II) in accordance with relevant laws and regulations;

- (iii) the Company, as founder of Stock Ownership Plan (Phase II), is responsible for convening the first Holders' meeting and electing members of the Management Committee; authorising the Management Committee to sign contracts relating to Stock Ownership Plan (Phase II); and
- (iv) any other obligations provided in the relevant laws, administrative regulations and other requirements of CSRC.

***Rights and obligations of the Holders***

Holders are entitled to exercise the following rights:

- (i) participating in and exercising the voting rights at the Holder's meeting, but a Holder does not have the voting rights attached to the underlying A Shares by indirectly holding those A Shares through participating in Stock Ownership Plan (Phase II); and
- (ii) entitlement to the proceeds of Stock Ownership Plan (Phase II) according to the units held by them in the plan.

Holders need to bear the following obligations:

- (i) injecting capital within the agreed time limit in accordance with Stock Ownership Plan (Phase II), assuming the risks associated with Stock Ownership Plan (Phase II) and undertaking his/her own risks for gains or losses, and their interests shall rank pari passu with that of other investors;
- (ii) during the Effective Period, save as otherwise provided in the laws, regulations and rules, or terms of Stock Ownership Plan (Phase II) and the Management Rules or approved at a Holders' meeting, a Holder may not transfer the units held by him/her in Stock Ownership Plan (Phase II), including by way of pledge or other similar disposal of units held by him/her;
- (iii) during the Effective Period, save as otherwise provided in the Management Rules, a Holder may not request for the distribution of the assets of Stock Ownership Plan (Phase II);
- (iv) complying with the terms of Stock Ownership Plan (Phase II) and the Management Rules; and
- (v) signing the subscription agreement and performing the obligations and assuming the responsibilities in accordance with such agreement and the applicable laws and regulations.

**Article 17 Procedures for implementation of Stock Ownership Plan (Phase II)**

- (1) The Board is responsible for considering Stock Ownership Plan (Phase II). The independent non-executive Directors are responsible for providing independent opinion on whether Stock Ownership Plan (Phase II) is conducive to the sustainable development of the Company, whether it will jeopardise the interests of the Company and the Shareholders as a whole, whether the Company has compelled the employees to compulsorily participate in Stock Ownership Plan (Phase II) by means of apportionment, mandatory allocation or other ways, and soliciting opinions from employees by convening a trade union committee's meeting before launching Stock Ownership Plan (Phase II).
- (2) The Supervisory Board is responsible for providing opinion on whether Stock Ownership Plan (Phase II) is conducive to the Company's sustainable development, whether it will jeopardise the interests of the Company and the Shareholders as a whole, whether the Company has compelled the employees to compulsorily participate in Stock Ownership Plan (Phase II) by means of apportionment, mandatory allocation or other ways, and soliciting opinions from employees by convening a trade union committee's meeting before launching Stock Ownership Plan (Phase II).
- (3) The Company shall appoint a law firm to issue a legal opinion on Stock Ownership Plan (Phase II), and announce such legal opinion two trading days prior to the Shareholders' meeting to be held for considering Stock Ownership Plan (Phase II).
- (4) The Board shall announce the Board resolutions, the terms of Stock Ownership Plan (Phase II), the opinion of independent non-executive Directors, resolutions of the Supervisory Board and the Management Rules within two trading days after the approval of Stock Ownership Plan (Phase II).
- (5) The Company shall appoint an independent financial adviser to issue an independent financial adviser's report on Stock Ownership Plan (Phase II), and announce the financial adviser's report prior to the Shareholders' meeting to be held for considering Stock Ownership Plan (Phase II).
- (6) The Board shall issue a notice to convene a general meeting.
- (7) Convening a general meeting to consider Stock Ownership Plan (Phase II). It shall be implemented upon approval by Shareholder.
- (8) Other performing procedures required by CSRC, Shenzhen Stock Exchange and other regulatory authorities.

**Article 18 Miscellaneous**

- (1) The financial and accounting treatment and taxation of Stock Ownership Plan (Phase II) shall be made according to the requirements of relevant financial system, accounting standards and taxation system.
- (2) The Management Rules shall become effective on the date of approval by Shareholders.
- (3) The approval of Stock Ownership Plan (Phase II) at the Board meeting and in general meeting neither implies an entitlement of the Holders to continue to serve at the Group, nor constitutes an undertaking of the Group to the Holders regarding their employment duration. The employment between the Group and the Holders shall continue to be governed by the service agreement entered into between the Group and the Holders.
- (4) The Management Rules shall be construed by the Board. The Board authorises the Management Committee to formulate operation rules or guidelines on any matters not yet provided for under the Management Rules. In such event, such rules or guidelines shall form an integral part, and have same effect, of the Management Rules.