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## 北京京城機電股份有限公司

### Beijing Jingcheng Machinery Electric Company Limited

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

**(Stock Code: 0187)**

## **PROPOSED ADOPTION OF THE 2023 RESTRICTED A SHARE INCENTIVE SCHEME**

### **PROPOSED ADOPTION OF THE 2023 RESTRICTED A SHARE INCENTIVE SCHEME**

The Board hereby announces that, at the twenty-second extraordinary meeting of the tenth session of the Board convened on 24 March 2023, the Board considered and approved (among other things) the proposed adoption of the Restricted Share Incentive Scheme and matters relating thereto. The Restricted Share Incentive Scheme is subject to the approval of the Beijing SASAC and the approval of the Shareholders at the General Meeting and the Class Meetings. Before the Company convenes the General Meeting and Class Meetings to approve the Restricted Share Incentive Scheme, the Company may amend the terms of the Restricted Share Incentive Scheme in accordance with the requirements of the regulatory authorities of the PRC and/or Hong Kong.

### **LISTING RULES IMPLICATIONS**

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

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

A circular containing (among other things) the details of the Restricted Share Incentive Scheme, the notice of the General Meeting and Class Meetings, will be despatched to the Shareholders as and when appropriate in accordance with the requirements of the Hong Kong Listing Rules.

The Board hereby announces that, at the twenty-second extraordinary meeting of the tenth session of the Board convened on 24 March 2023, the Board considered and approved (among other things) the proposed adoption of the Restricted Share Incentive Scheme and matters relating thereto. The Restricted Share Incentive Scheme is subject to the approval of the Beijing SASAC and the approval of the Shareholders at the General Meeting and the Class Meetings. Before the Company convenes the General Meeting and Class Meetings to approve the Restricted Share Incentive Scheme, the Company may amend the terms of the Restricted Share Incentive Scheme in accordance with the requirements of the regulatory authorities of the PRC and/or Hong Kong.

## **PROPOSED ADOPTION OF THE 2023 RESTRICTED A SHARE INCENTIVE SCHEME**

A summary of the principal terms of the Restricted Share Incentive Scheme is set out below:

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

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

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

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

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

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

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

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

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

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

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

Part of the Participants under the reserved grant will be determined within 12 months after the Restricted Share Incentive Scheme has been considered and approved by the General Meeting and the Class Meetings. Following the proposal by the Board, the issuance of confirmatory opinions by the independent non-executive Directors and the Supervisory Committee as well as the issuance of professional opinions and written legal opinions by the legal advisers, the Company shall promptly and accurately disclose the relevant information on the current Participants on the designated website pursuant to the relevant requirements. The reserved grant shall become invalid if the Participants under the reserved grant are not determined after 12 months from the aforesaid date.

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

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

- (1) personnel who have participated in any other listed company's share incentive scheme;
- (2) personnel who have received an "unqualified" result in the party building assessment evaluation;

- (3) personnel who will retire within the next three years;
- (4) personnel who trade the Company's Shares with knowledge of inside information (except in cases where the laws, administrative regulations and relevant judicial interpretations stipulate that such trading is not insider trading); and
- (5) personnel who disclose inside information which results in insider trading.

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

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

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

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

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

*Notes:*

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

## **V. NUMBER OF SHARES GRANTED**

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

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

If the Participants are Directors or general managers of the Company or any of their associates, the independent non-executive Directors of the Company must issue clear opinion to agree on such grants and comply with the relevant requirements of the Hong Kong Listing Rules, and if the number of ordinary A Shares of the Company issued and to be issued in respect of the interests granted to such person through all share incentive scheme(s) in full force and effect exceeds, in aggregate, within the 12-month period ending on the date of his award, 1% of the total number of ordinary A Shares share capital of the Company in issue, then such grant shall be subject to the approval by the Shareholders of the Company at the General Meeting.

## **VI. GRANT PRICE AND BASIS FOR DETERMINATION**

### **(I) The initial Grant Price**

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

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

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

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

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

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

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

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

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

### **(I) Term**

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

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

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

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

- (I) Restricted Shares may not be granted after the Company becomes aware of inside information until and including the trading day following the announcement of such information; in particular, Restricted Shares may not be granted within one month prior to the earlier of:
  1. the date of the Board meeting (being the date of the Board meeting first notified to the Stock Exchange under the Hong Kong Listing Rules) for approving the Company's results for any year, half-year, quarter or any other interim period (whether or not required by the Hong Kong Listing Rules); and
  2. the deadline for the Company to announce its results for any year or half-year according to the Hong Kong Listing Rules, or the deadline to announce its results for any quarter or any other interim period (whether or not required by the Hong Kong Listing Rules). Such restrictions end on the date of the announcement of the results. No interests may be granted by the Company during any period of delay in publishing the results announcement;
- (II) the period of within 10 days prior to the publication of the announcements of estimated results and preliminary results of the Company;

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

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

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

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

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

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

#### (IV) Unlocking arrangement

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

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

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

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

**(V) Blackout Period**

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

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

- (2) Where the Participants are Directors and members of the senior management of the Company and he/she disposes of any Shares of the Company within six months after acquisition or buys back such Shares within six months after disposal, all gains arising therefrom shall be retained by the Company and the Board will collect all such gains.
- (3) For Participant who is a Director or a member of the senior management, the Lock-up Period of 20% of the aggregate number of Restricted Shares granted to him/her shall be extended to the expiry of his/her term of office and determine whether to unlock the restrictions based on his/her performance appraisal or the result of financial responsibility audit during his/her term.

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

- (4) If, during the effective period of the Restricted Share Incentive Scheme, there is any amendment to the requirements regarding the transfer of Shares by Directors and members of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the Shares of the Company that are transferred by the Participants during the relevant times.

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

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

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

- (1) ***There is no occurrence of any of the following events on the part of the Company:***
  - (i) failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;
  - (ii) the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
  - (iii) significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;

- (iv) the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with a negative opinion or an audit report with no opinion by the certified public accountants;
- (v) any failure to distribute profits in accordance with the laws and regulations, the Articles of Association and public commitments within the last 36 months after listing;
- (vi) where the laws and regulations prohibit the implementation of share incentives; or
- (vii) other circumstances as determined by the CSRC.

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

- (i) the results of financial responsibility audit, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
- (ii) the result of the party building assessment evaluation of the Participant is “unqualified”;
- (iii) any violation of the relevant national laws and regulations and the Articles of Association;
- (iv) during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company’s commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and has been punished;
- (v) failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
- (vi) being determined by the SSE to be an unsuitable person within the last 12 months;
- (vii) being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
- (viii) having been administratively punished or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;
- (ix) being prohibited from acting as a Director or a senior management personnel of the Company as stipulated in the Company Law;

- (x) being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
- (xi) other circumstances as determined by the CSRC.

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

- (i) the EOE of the Company is not less than 5.32% in 2022;
- (ii) the Company's operating revenue growth rate in 2022 is not less than 10% based on the 2021 operating revenue;
- (iii) a revenue growth rate of not less than 100% in 2022 for the transformation and innovation category; and
- (iv) the investment in research and development accounts for no less than 3% of the operating revenue in 2022.

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

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

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

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

- (i) failure to engage an accounting firm to conduct an audit in accordance with the prescribed procedures and requirements;
- (ii) the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department has raised significant objections to the Company's results or annual financial report;
- (iii) significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
- (iv) the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with an a negative opinion or an audit report with no opinion by the certified public accountants;

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

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

- (i) the results of financial responsibility audit, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
- (ii) the result of the party building assessment evaluation of the Participant is “unqualified”;
- (iii) violation of the relevant national laws and regulations and the Articles of Association;
- (iv) during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company’s commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and has been punished;
- (v) failure to perform or improperly perform his/her duties, resulting in material loss of assets and other serious adverse consequences to the Company;
- (vi) being determined by the SSE to be an unsuitable person within the last 12 months;
- (vii) being determined as an unsuitable person by the CSRC and its dispatched agents within the last 12 months;
- (viii) having been administratively punished or being prohibited from market entry by the CSRC and its dispatched agents within the last 12 months due to material breach of laws and regulations;

- (ix) being prohibited from acting as a Director or a senior management personnel of the Company as stipulated in the Company Law;
- (x) being prohibited from participating in the share incentive schemes of the Company under the laws and regulations; or
- (xi) other circumstances as determined by the CSRC.

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

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

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

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

#### **Unlocking Period      Performance appraisal targets**

- |                        |  |
|------------------------|--|
| First Unlocking Period | <ul style="list-style-type: none"> <li>(1) The EOE of the Company in 2024 shall be no less than 7.97% and the growth rate of EOE in 2024 shall be no less than the average level of the industry based on the Company's EOE in 2021.</li> <li>(2) The year-on-year growth rate of operating revenue in 2024 shall be no less than 16% and no less than the average level of the industry.</li> <li>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2024 shall be no less than 400%.</li> <li>(4) The proportion of research and development investment to operating revenue in 2024 shall not be less than 3.05%.</li> </ul> |
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- |                         |  |
|-------------------------|--|
| Second Unlocking Period | <ul style="list-style-type: none"> <li>(1) The EOE of the Company in 2025 shall be no less than 9.30% and the growth rate of EOE in 2025 shall be no less than the average level of the industry based on the Company's EOE in 2021.</li> <li>(2) The year-on-year growth rate of operating revenue in 2025 shall be no less than 16% and no less than the average level of the industry.</li> <li>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2025 shall not be less than 450%.</li> <li>(4) The proportion of research and development investment to operating revenue in 2025 shall not be less than 3.10%.</li> </ul>  |
| Third Unlocking Period  | <ul style="list-style-type: none"> <li>(1) The EOE of the Company in 2026 shall be no less than 10.63% and the growth rate of EOE in 2026 shall be no less than the average level of the industry based on the Company's EOE in 2021.</li> <li>(2) The year-on-year growth rate of operating revenue in 2026 shall be no less than 16% and no less than the average level of the industry.</li> <li>(3) Based on the revenue of the transformation and innovation category in 2021, the growth rate of revenue of the transformation and innovation category in 2026 shall not be less than 500%.</li> <li>(4) The proportion of research and development investment to operating revenue in 2026 shall not be less than 3.15%.</li> </ul> |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(2) Rights issue**

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

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

**(3) Share consolidation**

$$Q = Q_0 \times n$$

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

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

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

**(II) Method of adjusting the Grant Price of the Restricted Shares**

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

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

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

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

**(2) Rights issue**

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

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

**(3) Share consolidation**

$$P = P_0 \div n$$

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

**(4) Dividend distribution**

$$P = P_0 - V$$

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

**(5) Additional issue**

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

**(III) Adjustment procedures of the Restricted Share Incentive Scheme**

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

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

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

- (1) The Remuneration and Monitoring Committee of the Board is responsible for preparing the proposal of the Restricted Share Incentive Scheme and submitting it to the Board for consideration and approval; the Board shall resolve on the Restricted Share Incentive Scheme in accordance with the law. When the Board considers the Restricted Share Incentive Scheme, any Director who is also a Participant or is a related party to a Participant shall abstain from voting.
- (2) The independent non-executive Directors and the Supervisory Committee shall issue opinions in respect of whether the Restricted Share Incentive Scheme is beneficial to the sustainable development of the Company or whether there is any considerable damage to the interests of the Company and the Shareholders as a whole. A legal opinion on the Restricted Share Incentive Scheme shall be issued by the law firm engaged by the Company and it shall be announced at the same time as the proposal of the Restricted Share Incentive Scheme. The Company will engage an independent financial advisor to give its professional opinion on the feasibility of the Restricted Share Incentive Scheme, whether it is beneficial to the sustainable development of the Company, whether there is any damage to the interests of the Company and the impact on the interests of Shareholders.
- (3) The Company shall internally publish the names and positions of the Participants through the Company's website or other channels for a notification period of not less than 10 days before the convening of the General Meeting and the Class Meetings. The Supervisory Committee shall verify the list of Participants and thoroughly consider any feedbacks. The Company shall publish an explanation on the verification results of the Supervisory Committee on the list of the Participants and the notification 5 days before the Restricted Share Incentive Scheme is considered at the General Meeting and the Class Meetings.
- (4) The Company shall conduct a self-inspection on the trading of the Company's Shares by persons who were privy to inside information during the six months prior to the announcement of the proposal of the Restricted Share Incentive Scheme to state whether there is any insider trading.
- (5) The Restricted Share Incentive Scheme shall be submitted to the Beijing SASAC for consideration and approval after being reviewed and approved by Jingcheng Machinery Electric.
- (6) The Company shall issue a notice convening the General Meeting and the Class Meetings.

- (7) Prior to the convening of the General Meeting and the Class Meetings to consider and approve the Restricted Share Incentive Scheme, the independent non-executive Directors shall solicit proxy voting rights from all Shareholders regarding the Restricted Share Incentive Scheme. Shareholders and Shareholders of A Shares and H Shares are required to vote on the content of the share incentive scheme under Article 9 of the Management Measures, and such shall be passed by more than 2/3 of the voting rights held by the Shareholders present at the meeting. Except for the Directors, Supervisors and senior management personnel of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other Shareholders shall be separately counted and disclosed.

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

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

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

- (1) Following the approval of the Restricted Share Incentive Scheme at the General Meeting and the Class Meetings, the Remuneration and Monitoring Committee of the Board shall be responsible for drawing up the Restricted Share grant scheme.
- (2) The Board shall consider and approve the granting of Restricted Shares grant scheme proposed by the Remuneration and Monitoring Committee.
- (3) The Board shall consider and announce whether the conditions of a grant to a Participant as set out in the Restricted Share Incentive Scheme have been satisfied before the Company makes a grant of interests to such Participant.

The independent non-executive Directors and the Supervisory Committee shall both express their confirmatory views; the legal adviser shall issue its legal opinion on whether the conditions for the grant of interests to the Participants have been fulfilled or not; the independent financial adviser shall at the same time give a clear opinion.

- (4) The Supervisory Committee shall verify whether the list of Participants for the grant of Restricted Shares is consistent with those specified in the Restricted Share Incentive Scheme approved at the General Meeting as well as the Class Meetings.
- (5) The Company shall sign the “Grant of Restricted Shares Agreement” with the Participants in order to determine their respective rights and obligations relationships, including the amount and period of time for which the Participants are to pay the Share purchase price.
- (6) The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company according to the Company’s requirement, and have it verified and confirmed by a certified public accountant, otherwise such Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares.
- (7) The Company shall grant the Restricted Shares to the Participants and complete the announcement and registration within 60 days after the Restricted Share Incentive Scheme has been considered and approved at the General Meeting and the Class Meetings. The Board shall disclose the relevant implementations in a timely manner by way of announcement after completion of the registration of Restricted Shares granted. In the event the Company fails to complete the procedures mentioned above within such 60 days, the implementation of the Restricted Share Incentive Scheme shall be terminated, and the Board shall disclose the reason for such non-completion in a timely manner and shall not reconsider such share incentive scheme within the following three months (any period during which no granting of restricted shares is allowed by a listed company pursuant to the Administrative Measures shall not be included in the 60-day period).
- (8) If a senior management personnel, as a Participant, has reduced his/her holdings of the Company’s shares within six months before the grant of the Restricted Shares and there is no case of trading with inside information after verification, the Company may defer the grant of Restricted Shares to such senior management personnel to six months after the date of his/her last reduction transaction in accordance with the provisions of the Securities Law on short-term trading;
- (9) The Company shall make an application to the SSE first before granting any Restricted Shares, and China Clear will conduct the registration and clearing procedures thereof upon confirmation by the SSE.
- (10) After the registration of the grant of the Restricted Shares is completed, if it involves change in the registered capital of the Company, the Company shall go through the procedures in relation to the registration with the relevant administration department for industry and commerce.

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

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

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

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

- (1) The Company shall have the right to interpret and execute the Restricted Share Incentive Scheme and shall appraise the performance of the Participants based on the requirements under the Restricted Share Incentive Scheme. If a Participant fails to fulfill the Unlocking Conditions required under the Restricted Share Incentive Scheme, the Company will repurchase the corresponding Restricted Shares which have not been unlocked from the Participant in accordance with the principles under the Restricted Share Incentive Scheme.
- (2) Where a Participant has breached his/her obligations of good faith under the Company Law, the Articles of Association or other regulations, or impaired the interests or reputation of the Company as a result of violating the laws, breaching professional ethics, divulging confidential information of the Company, dereliction of duties or malpractice, the Restricted Shares which have not been unlocked shall be repurchased by the Company; in serious cases, the Board shall have the right to recover all or part of the gains made by him/her from his/her unlocked Restricted Shares.

- (3) The Company undertakes not to provide loans and financial assistance in any other forms, including the provision guarantee for loans, to the Participants for acquiring the Restricted Shares under the Restricted Share Incentive Scheme.
- (4) The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Restricted Share Incentive Scheme in accordance with the relevant requirements.
- (5) The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock the Restricted Shares in accordance with the relevant requirements including those of the Restricted Share Incentive Scheme, the CSRC, the SSE and ChinaClear. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons caused by the CSRC, the SSE and the ChinaClear.
- (6) The Company shall withhold and pay on behalf of the Participants the individual income tax and other taxes and fees payable by the Participants according to the relevant provisions of the national tax laws and regulations.
- (7) The Company's determination of the Participants of the Restrictive Shares Incentive Scheme does not imply that the Participants have the right to continue their service with the Company, nor does it constitute a commitment by the Company on the term of employment of the employees. The employment relationship between the Company and the employees shall continue to be governed by the labour contracts signed between the Company and the Participants.
- (8) Other relevant rights and obligations as stipulated by laws and regulations.

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

- (1) A Participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (2) A Participant shall be required to observe the restrictions on the sale of the Restricted Shares granted to him/her in accordance with the provisions of the Restricted Share Incentive Scheme. The Restricted Shares granted to the Participant shall not be entitled to any disposal rights such as assignment or use for guarantee or repayment of debts until the Restricted Shares are unlocked.

- (3) Upon completion of the registration by the ChinaClear, the Restricted Shares granted to the Participants shall have the rights, including but not limited to the Rights to dividends, rights to rights issue and voting rights, etc. However, during the Lock-up Period, the bonus shares, the capitalization issue shares and rights issue shares derived from the Restricted Shares granted to the Participants are correspondingly locked and cannot be sold in the secondary market or transferred by any other means. The end date for the Lock-up Period of such Shares is the same as that for the Restricted Shares.
- (4) The source of funds shall be self-raised funds of the Participants.
- (5) Any gains for the Participants generated from the Restricted Share Incentive Scheme are subject to individual income tax and other taxes according to the national tax laws and regulations. The Participants agree that the Company shall on behalf of the Participants withhold and pay the aforesaid individual income tax.
- (6) The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with the conditions of granting and exercising of the entitlements, they shall return to the Company all benefits gained through the Restricted Share Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents contain false statement or misleading representations or material omissions.
- (7) Upon the consideration and approval of the Restricted Share Incentive Scheme at the General Meeting and the Class Meetings, the Company shall sign an Agreement of the Grant of Restricted Shares with each Participant to expressly specify the respective rights and obligations under the Restricted Share Incentive Scheme and other related matters.
- (8) Other relevant rights and obligations under the laws, regulations and the Restricted Share Incentive Scheme shall be observed.

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

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

- (1) If the Company intends to amend the Restricted Share Incentive Scheme before it is considered at the General Meeting and the Class Meetings, such amendments shall be considered and approved by the Board.

- (2) If the Company intends to amend the Restricted Share Incentive Scheme after it has been considered and approved (except for matters authorized at the General Meeting to the Board) at the General Meeting and the Class Meetings, such amendments shall be considered and approved at the General Meeting and the Class Meetings, provided that such amendments shall not result in the following:
  - (i) unlocking of the Restricted Shares in advance; or
  - (ii) reducing the Grant Price.

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

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

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

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

The Restricted Shares returned by the Participants as a result of the changes are repurchased and cancelled by the Company in accordance with the following conditions.

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

- (1) The implementation of the Restricted Share Incentive Scheme shall be terminated immediately if any of the followings occurs to the Company, and the Restricted Shares which have not been unlocked shall be repurchased at the lower of the Grant Price and market price by the Company:
  - (i) failing to engage an accounting firm to carry out audit in accordance with the prescribed procedures and requirements;
  - (ii) the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department raise major objections to the performance or annual financial report of the Company;
  - (iii) significant non-compliance with regulations and penalties imposed by the securities regulatory authorities and other relevant authorities;
  - (iv) the financial accounting report or the internal control evaluation report for the latest accounting year has been issued with a negative opinion or an audit report with no opinion by the certified public accountants;
  - (v) failure to make profit distribution in accordance with laws and regulations, the Articles of Association and public commitments during the past 36 months after listing;
  - (vi) where the laws and regulations prohibit the implementation of share incentives; or
  - (vii) other circumstances as determined by the CSRC.
- (2) The Restricted Share Incentive Scheme shall continue to be implemented according to its provisions if any of the followings occurs to the Company:
  - (i) change in control of the Company; or
  - (ii) circumstances such as merger, spin-off, etc. of the Company.

- (3) The Restricted Shares which have not been released in whole or in part by the Participants for the current period due to the failure of the performance appraisal at the Company level or the appraisal at the individual level shall not be unlocked or deferred to the next period to unlock, and shall be repurchased by the Company at the lower of the Grant Price and the market price at the time of the repurchase (i.e. the closing price of the Company's shares on the trading day preceding the Board's consideration of the repurchase of the Restricted Shares of the Participants).
- (4) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking of the Restricted Shares, all unlocked Restricted Shares shall be repurchased by the Company on a uniform basis, and the Company shall pay interest on the bank deposits for the same period. In respect of the Restricted Shares granted to the Participants and already unlocked, the Participants concerned shall return to the Company all the benefits gained. The Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the Restricted Shares granted may seek compensation from the Company or responsible parties pursuant to the relevant arrangements under the Restricted Share Incentive Scheme.

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

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

- (1) In case a Participant has a change in job position but still works in the Company or a controlled subsidiary of the Company, the Restricted Shares granted to him/her shall be fully assessed and unlocked by following the procedures as specified before the change of his/her job position.
- (2) If the Participant terminates his/her employment with the Company due to transfer of job, dismissal, retirement, death or incapacity, the exercisable portion (with clear vesting of interests) may be exercised within six months from the date of termination of employment (or when the portion can be exercised) if the exercisable time limit and performance assessment conditions have been met in that year, and the entitlement shall lapse after such six months. Any remaining portion in respect of which the performance assessment conditions for the year are not met will not be released and will be repurchased by the Company at the sum of the Grant Price plus interest earned on time deposits calculated in accordance with the latest benchmark deposit rate issued by the People's Bank of China.

- (3) If the Participant resigns or the employment relationship is terminated due to personal reasons, the Company shall repurchase the Restricted Shares that have not been unlocked at the lower of the Grant Price and the market price.
- (4) When the Participant becomes an independent non-executive Director or a Supervisor who cannot hold the Company's Restricted Shares, the Restricted Shares held by the Participant that have not been unlocked shall be repurchased by the Company according to the sum of the Grant Price together with the interest on time deposits calculated using the latest benchmark deposit rate published by the People's Bank of China for the same period.
- (5) Participant who has failed in performance appraisal or received an "unqualified" result in the party building assessment evaluation, or in the event that any of the circumstances specified in Article 8 of the Management Measures that the Restricted Shares shall not be granted, the Restricted Shares of the Participant that have not been unlocked for the current period shall be repurchased by the Company at the lower of the Grant Price and the market price.
- (6) When any of the followings occurs to a Participant, the Participant shall return the gains from the share incentive to the Company. Restricted Shares that have not been unlocked shall be repurchased by the Company at the lower of the Grant Price and the market price:
  - (i) the results of financial responsibility audits, etc. indicate that there is failure to perform duties effectively or serious dereliction of duty or malpractice;
  - (ii) during his/her service, he/she has committed any illegal and disciplinary acts such as accepting and soliciting bribes, committing corruption and theft, disclosing the Company's commercial and technical secrets, implementing connected transactions that damage the interests and reputation of the Company and have significant adverse impact on the image of the Company, and has been punished;
  - (iii) failure to perform or improperly perform his/her duties, resulting in a material loss of assets and other serious adverse consequences to the Company;
  - (iv) performing any act which violates the national laws and regulations, occupational ethics, or dereliction of duty or malpractice, causing severe damage to the interests or the reputation of the Company and causing financial losses, directly or indirectly, to the Company;
  - (v) where a Participant is dismissed due to violation of the Company's rules and regulations, and violation of the relevant provisions of the Company's employee reward and punishment management system or commitment of serious disciplinary offences;

- (vi) where the Participant is prosecuted as a result of a criminal offence; or
  - (vii) where the Participant causes improper losses to the Company as a result of violating the relevant laws and regulations or the Articles of Association.
- (7) The Board shall determine the handling methods for other situations not specified herein.

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

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

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

- (1) Accounting treatment on the Grant Date: the “bank deposits”, “treasury stocks” and “capital reserve – share premium” shall be recognized according to the status of the grant of Shares to the Participants by the Company; and liability is recognized for the repurchase obligation.
- (2) Accounting treatment during the Lock-up Period: Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognized as costs on each balance sheet date during the Lock-up Period, and the equity or liability of owners will be recognized at the same time.
- (3) Accounting treatment on the Unlocking Date: If the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are lapsed or cancelled since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

$$Q = Q_0 \times n$$

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

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

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

### **(III) Method for adjustment to the repurchase price**

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

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

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

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

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

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

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

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

$$P = P_0 \div n$$

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

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

$$P = P_0 - V$$

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

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

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

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

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

#### **(V) Procedures of repurchase**

- (1) The Company shall in a timely manner convene a Board meeting to consider the repurchase price adjustment proposal in accordance with the above provisions, and if necessary, submit the repurchase plan to the General Meeting and the Class Meetings for approval, and announce the same in a timely manner.
- (2) When the Company implements a repurchase under the Restricted Shares Incentive Scheme, it shall be implemented in accordance with the requirements under the Company Law.
- (3) The Company shall apply to SSE for handling the relevant procedures of the Restricted Shares when implementing the repurchase under the Restricted Shares Incentive Scheme, upon the confirmation by the SSE, the Company shall complete the procedures at ChinaClear in a timely manner, and make an announcement.

#### **LISTING RULES IMPLICATIONS**

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

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

A circular containing (among other things) the details of the Restricted Share Incentive Scheme, the notice of the General Meeting and Class Meetings, will be despatched to the Shareholders as and when appropriate in accordance with the requirements of the Hong Kong Listing Rules.

**The proposed adoption of the Restricted Share Incentive Scheme is subject to (among other things) the approval from the Beijing SASAC, the General Meeting and the Class Meetings. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

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

“Effective Period”	the period from the date of approval at the General Meeting to the date of expiry of the Unlocking Period of the Restricted Shares or completion of repurchase
“EOE”	earnings before interest, taxes, depreciation and amortization (EBITDA)/average net assets
“General Meeting”	a general meeting of the Company to be convened to consider, and if thought fit, approve (among other things) the proposed adoption of the Restricted Share Incentive Scheme and the matters relating thereto
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants, which must be a trading day
“Grant Price”	the price per share at the time of granting of Restricted Shares to the Participants by the Company
“Guidelines”	Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises
“Guiding Opinions”	Guiding Opinions on the Standardisation of Shareholding and Bonus Incentives for Municipal Enterprises
“H Shares”	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange (stock code: 00187)
“H Shares Class Meeting”	the class meeting of H Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jingcheng Machinery Electric”	Beijing Jingcheng Machinery Electric Holding Co., Ltd.* (北京京城機電控股有限責任公司), a company incorporated in the PRC and the controlling shareholder of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Lock-up Period”	the period during which the Restricted Shares granted to the Participants under the Restricted Share Incentive Scheme are prohibited from being transferred, used as security or to repay debts
“Management Measures”	the Management Measures for Equity Incentives of Listed Companies
“Participant(s)”	employees who are eligible to be granted a certain number of Restricted Shares in accordance with the provisions of the Restricted Share Incentive Scheme
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Restricted Share Incentive Scheme”	the 2023 restricted A Share incentive scheme of the Company
“Restricted Share(s)”	the shares granted by the Company to the Participants in accordance with pre-determined conditions, and the Participants may sell and benefit from the Restricted Shares upon fulfilling the conditions set out in the Restricted Share Incentive Scheme during their tenure or meeting the performance targets
“revenue of the transformative and innovative business”	revenue from hydrogen company products and intelligently manufactured products
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	shareholder(s) of the Company, including A shareholders and H shareholders
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

“Trial Measures”	Trial Measures for Implementing Equity Incentive Plans by State-Controlled Listed Companies (Domestic)
“Unlocking Conditions”	the conditions required to be satisfied for the unlocking of the Restricted Shares awarded to a Participant under the Restricted Share Incentive Scheme
“Unlocking Date”	upon the fulfillment of the conditions for the unlocking of the Restricted Shares under the Restricted Share Incentive Scheme, the date on which the Restricted Shares held by the Participant are released from restriction of sale
“Unlocking Period”	the period during which the Restricted Shares held by a Participant may be released from restriction of sale and listed for circulation after the fulfillment of the conditions for release of restriction of sale under the Restricted Share Incentive Scheme
“%”	per cent

This announcement is prepared in Chinese. In the event of discrepancies between the Chinese and English versions, the Chinese version shall prevail.

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

Beijing, the PRC  
24 March 2023

*As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive Directors, Mr. Wu Yanzhang, Mr. Xia Zhonghua, Mr. Man Huiyong and Ms. Li Chunzhi as non-executive Directors, and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive Directors.*

\* *For identification purposes only.*