

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

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

If you have sold or transferred all your shares in Zhengzhou Coal Mining Machinery Group Company Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**ZMJ**

**Zhengzhou Coal Mining Machinery Group Company Limited**  
**鄭州煤礦機械集團股份有限公司**

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

**(Stock Code: 00564)**

**REPORT OF THE BOARD FOR THE YEAR 2020**  
**REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2020**  
**ANNUAL REPORT FOR THE YEAR 2020**  
**REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON**  
**THEIR PERFORMANCE FOR THE YEAR 2020**  
**PROFIT DISTRIBUTION PLAN FOR THE YEAR 2020**  
**APPOINTMENT OF THE EXTERNAL AUDITORS AND**  
**INTERNAL CONTROL AUDITORS FOR THE YEAR 2021**  
**PROVISION OF REPURCHASE GUARANTEE TO CUSTOMERS UNDER**  
**THE FINANCE LEASE BUSINESS**  
**PROVISION OF GUARANTEES TO AND**  
**AMONG CONTROLLING SUBSIDIARIES**  
**COMMENCEMENT OF THE HEDGING BUSINESS**  
**2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT) OF**  
**ZHENGZHOU COAL MINING MACHINERY GROUP COMPANY LIMITED**  
**AND THE SUMMARY THEREOF**  
**ADMINISTRATIVE MEASURES FOR PERFORMANCE EVALUATION**  
**UNDER THE 2021 RESTRICTED SHARE INCENTIVE SCHEME OF**  
**ZHENGZHOU COAL MINING**  
**MACHINERY GROUP COMPANY LIMITED**  
**AUTHORISATION OF THE BOARD TO HANDLE MATTERS REGARDING**  
**THE 2021 RESTRICTED SHARE INCENTIVE SCHEME**  
**NOTICE OF 2020 ANNUAL GENERAL MEETING**  
**AND**  
**NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING OF 2021**

The Company will convene the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting at 9:00 a.m. on Friday, 4 June 2021 at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC. The Notices of the AGM and the H Shareholders Class Meeting are set out on pages 45 to 51 of this circular.

Any Shareholder who intends to appoint a proxy to attend the AGM and the H Shareholders Class Meeting shall complete the enclosed forms of proxy in accordance with the instructions printed thereon and return the same by 9:00 a.m. on Thursday, 3 June 2021 (Hong Kong time). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGM and the H Shareholders Class Meeting if you so wish.

14 May 2021

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	23
<b>Letter from Gram Capital</b> .....	25
<b>Notice of 2020 Annual General Meeting</b> .....	45
<b>Notice of the First H Shareholders Class Meeting of 2021</b> .....	49
<b>ANNEX A — Report of the Independent Non-executive Directors on Their Performance for the Year 2020</b> .....	52
<b>ANNEX B — 2021 Restricted Share Incentive Scheme (Draft)</b> .....	62
<b>ANNEX C — Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme</b> ...	102
<b>ANNEX D — General Information</b> .....	107

## DEFINITIONS

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

“2021 Restricted Share Incentive Scheme”	2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited
“Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme”	Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited
“AGM”	the annual general meeting of the Company to be convened at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 4 June 2021 or any adjournment thereof, the notice of which is set out on pages 45 to 48 of this circular
“Articles of Association”	the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited
“A Share(s)”	domestic ordinary share(s) with a par value of RMB1.00 each issued by the Company which are subscribed for by domestic investors and are listed for trading on the Shanghai Stock Exchange (stock code: 601717)
“A Shareholder(s)”	holder(s) of A Share(s)
“A Shareholders Class Meeting”	the 2021 first A shareholders class general meeting of the Company to be convened at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 4 June 2021 or any adjournment thereof
“Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company

## DEFINITIONS

“China” or “PRC”	the People’s Republic of China, which for the purposes of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Class Meetings”	the A Shareholders Class Meeting and the H Shareholders Class Meeting
“Company”	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the Shares of which are listed on the main boards of the Hong Kong Stock Exchange and the Shanghai Stock Exchange (stock codes: 00564 and 601717)
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Dividends”	the proposed distribution of 2020 final dividends to the Shareholders whose names appear on the register of members for the A Shareholders and the H Shareholders at the close of business on the Record Date, on the basis of a cash dividend of RMB2.15 (inclusive of tax) per 10 existing Shares held by the Shareholders, which are payable in RMB to the A Shareholders and in HK\$ to the H Shareholders
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign invested Share(s) with a par value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange (stock code: 00564) and are subscribed for in HK dollars
“H Shareholders”	holders of H Shares

## DEFINITIONS

“H Shareholders Class Meeting”	the 2021 first H shareholders class general meeting of the Company to be convened at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 4 June 2021 or any adjournment thereof, the notice of which is set out on pages 49 to 51 of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Record Date”	Monday, 12 July 2021, being the record date for ascertaining the Shareholders’ entitlement to dividend on Shares
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share(s)”	the share(s) of RMB1.00 each of the Company
“Shareholder(s)”	holders of the share(s) of the Company
“Shareholders’ Meeting”	the general meeting of the Shareholders of the Company
“Latest Practicable Date”	11 May 2021, being the latest practicable date for ascertaining certain information in this circular before its publication
“Participant(s)”	the personnel granted the Restricted Shares under the Scheme
“Restricted Shares”	a certain number of Shares granted by the Company to the Participants based on the Scheme and the conditions thereunder, imposed with a Lock-up Period and unlockable for distribution upon fulfilment of the Unlocking Conditions under the Scheme
“Scheme”	2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited
“%”	per cent.



**ZMJ**

**Zhengzhou Coal Mining Machinery Group Company Limited**  
**鄭州煤礦機械集團股份有限公司**

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

**(Stock Code: 00564)**

**Members of the Board**

*Executive Directors:*

Mr. JIAO Chengyao  
Mr. XIANG Jiayu  
Mr. JIA Hao  
Mr. FU Zugang  
Mr. WANG Xinying

*Non-executive Directors:*

Mr. CUI Kai  
Mr. YANG Dongsheng

*Independent Non-executive Directors:*

Mr. CHENG Jinglei  
Mr. JI Feng  
Ms. GUO Wenqing  
Mr. FANG Yuan

**Registered Office**

No. 167, 9th Street,  
Econ-Tech Development Zone,  
Zhengzhou,  
Henan Province,  
PRC

**Principal Place of Business in  
Hong Kong**

40/F, Dah Sing Financial Centre,  
No. 248 Queen's Road East,  
Wanchai, Hong Kong

14 May 2021

*To the Shareholders*

Dear Sir or Madam,

**REPORT OF THE BOARD FOR THE YEAR 2020**  
**REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2020**  
**ANNUAL REPORT FOR THE YEAR 2020**  
**REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON**  
**THEIR PERFORMANCE FOR THE YEAR 2020**  
**PROFIT DISTRIBUTION PLAN FOR THE YEAR 2020**  
**APPOINTMENT OF THE EXTERNAL AUDITORS AND**  
**INTERNAL CONTROL AUDITORS FOR THE YEAR 2021**  
**PROVISION OF REPURCHASE GUARANTEE TO CUSTOMERS UNDER**  
**THE FINANCE LEASE BUSINESS**  
**PROVISION OF GUARANTEES TO AND**  
**AMONG CONTROLLING SUBSIDIARIES**  
**COMMENCEMENT OF THE HEDGING BUSINESS**  
**2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT) OF ZHENGZHOU COAL**  
**MINING MACHINERY GROUP COMPANY LIMITED**  
**AND THE SUMMARY THEREOF**  
**ADMINISTRATIVE MEASURES FOR PERFORMANCE EVALUATION UNDER THE**  
**2021 RESTRICTED SHARE INCENTIVE SCHEME OF ZHENGZHOU COAL MINING**  
**MACHINERY GROUP COMPANY LIMITED**  
**AUTHORISATION OF THE BOARD TO HANDLE MATTERS REGARDING**  
**THE 2021 RESTRICTED SHARE INCENTIVE SCHEME**  
**NOTICE OF 2020 ANNUAL GENERAL MEETING**  
**AND**  
**NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING OF 2021**

## LETTER FROM THE BOARD

### INTRODUCTION

The purpose of this circular is to provide you with the Notices of AGM and the H Shareholders Class Meeting and, among others, other information, so as to enable you to make an informed decision as to whether to vote for or against the following resolutions to be proposed at the AGM and the H Shareholders Class Meeting:

1. Report of the Board for the year 2020;
2. Report of the Board of Supervisors for the year 2020;
3. Annual report for the year 2020 and the summary thereof;
4. Report of the independent non-executive Directors on their performance for the year 2020;
5. Profit distribution plan for the year 2020;
6. Appointment of the external auditors and internal control auditors for the year 2021;
7. Provision of repurchase guarantee to customers under the finance lease business;
8. Provision of guarantees to and among controlling subsidiaries;
9. Commencement of the hedging business;
10. 2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited and the summary thereof;
11. Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited; and
12. Authorisation of the Board to handle matters regarding the 2021 Restricted Share Incentive Scheme.

#### **1. REPORT OF THE BOARD FOR THE YEAR 2020**

An ordinary resolution will be proposed at the AGM to approve the report of the Board for the year 2020. The full text of the report of the Board for the year 2020 is set out in the annual report for the year 2020 of the Company which was published on 29 April 2021.

#### **2. REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2020**

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Supervisors for the year 2020. The full text of the report of the Board of Supervisors for the year 2020 is set out in the annual report for the year 2020 of the Company which was published on 29 April 2021.

## LETTER FROM THE BOARD

### 3. ANNUAL REPORT FOR THE YEAR 2020

An ordinary resolution will be proposed at the AGM to approve the annual report of the Company for the year 2020 which was published on 29 April 2021.

### 4. REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON THEIR PERFORMANCE FOR THE YEAR 2020

An ordinary resolution will be proposed at the AGM to approve the report of the independent non-executive Directors on their performance for the year 2020. Details of the aforesaid report are set out in Annex A of this circular.

### 5. PROFIT DISTRIBUTION PLAN FOR THE YEAR 2020

An ordinary resolution will be proposed at the AGM to approve the profit distribution plan for the year 2020.

At the time the Company announced its results for the year ended 31 December 2020 on 26 March 2021, it also announced the proposed payment of the Dividends for the year ended 31 December 2020 of RMB2.15 (inclusive of tax) per 10 Shares, totalling approximately RMB372,481,344.55. The aforesaid proposal is subject to the conditions set out in this circular.

If the total share capital of the Company changes from the date of announcement of the proposed distribution of annual dividend to the Record Date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly. For any subsequent changes to the total share capital, the Company will make further announcement(s) on the specific adjustments.

The Company proposes to distribute the cash Dividends of RMB2.15 (inclusive of tax) per 10 existing Shares to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the Record Date, which amounted to the actual distributable cash profit of RMB372,481,344.55, representing 30.06% of the profit for the year attributable to owners of the Company.

Subject to the approval of this proposal at the AGM, the Dividends will be payable to the Shareholders whose names appear on the register of members of the Company after the close of the market on Monday, 12 July 2021. The share register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive), during which period no transfer of Shares will be registered. For the H Shareholders of the Company who wish to be entitled to the final Dividends but have not registered the transfer documents, such transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar for H Shares, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Tuesday, 6 July 2021. Subject to the approval of this resolution by the Shareholders, the final Dividends on the H Shares of the Company will be payable on or before 30 July 2021.



## LETTER FROM THE BOARD

The Dividends are denominated and declared in RMB and payable in RMB to A Shareholders and in HK dollars to H Shareholders. The actual amount declared in HK dollars is converted based on the average benchmark exchange rate of Renminbi against HK dollars as promulgated by the People's Bank of China for the five business days preceding the date of the AGM. Subject to the approval of the profit distribution plan of the Company for the year 2020 at the AGM, the Dividends will be distributed within two months from the date of the AGM.

According to the EIT Law, the tax rate of enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. In this regard, any H Shares registered under the name of a non-individual enterprise, including under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations and entities, shall be deemed as Shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the Dividends to those non-resident enterprise Shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which is legally incorporated in the PRC or established pursuant to the laws of foreign countries (regions) but has its effective administrative entity located in the PRC and whose name appears on the Company's H Share register of members should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a practicing PRC lawyer (with the official chop of the law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if the enterprise does not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Circular SAT No. (1993) 045 (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》) (the "Notice") issued by the State Taxation Administration on 28 June 2011, the dividend to be distributed by a domestic non-foreign invested enterprise, which has issued shares in Hong Kong, to overseas resident individual shareholders is subject to individual income tax at a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary, depending on the relevant tax agreements between the countries of their residence and Mainland China. Accordingly, 10% individual income tax will be withheld from the final Dividends upon such Dividends payment to any individual Shareholders of H Shares whose names appear on the H Share register of members of the Company on the Record Date, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of a Shareholder or any disputes over the mechanism of withholding.

### *Profit Distribution to Investors of Northbound Trading*

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "Northbound Trading"), their dividends will be distributed in RMB by the

## LETTER FROM THE BOARD

Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominal holder holding such Shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the competent tax authorities for the withholding. For investors of the Northbound Trading who are tax residents of other countries and whose country of domicile has entered into a tax treaty with the PRC stipulating a dividend income tax rate of lower than 10%, those enterprises or individuals may apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty or may entrust a withholding agent to do so. Upon approval by the competent tax authorities, the paid tax amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded. The Record Date and the date of distribution of cash dividends and other arrangements for the investors of the Northbound Trading will be the same as those for the A Shareholders of the Company.

### *Profit Distribution to Investors of Southbound Trading*

For investors of the Shanghai Stock Exchange and the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the “**Southbound Trading**”), the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for the Southbound Trading (《港股通H股股票現金紅利派發協議》) with China Securities Depository and Clearing Corporation Limited, pursuant to which, China Securities Depository and Clearing Corporation Limited or its branches, as the nominal investors of H Shares for the Southbound Trading, will receive cash dividends distributed by the Company and distribute the cash dividends to relevant investors of H Shares of the Southbound Trading through its depository and clearing system.

Cash dividends for the investors of H Shares of the Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Concerning the Pilot Programme of the Shanghai-Hong Kong Stock Connect (Cai Shui No. [2014]81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) and the Notice on the Tax Policies Concerning the Pilot Programme of the Shenzhen-Hong Kong Stock Connect (Cai Shui No. [2016]127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》), for dividends received by domestic individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the companies of such H Shares shall withhold individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The companies of such H Shares will not withhold the income tax of dividends for domestic enterprise investors and such investors shall report and pay relevant tax by themselves.

The Record Date and the date of distribution of cash dividends and other arrangements for the investors of the Southbound Trading will be the same as those for the H Shareholders of the Company.

## LETTER FROM THE BOARD

### **6. APPOINTMENT OF THE EXTERNAL AUDITORS AND INTERNAL CONTROL AUDITORS FOR THE YEAR 2021**

An ordinary resolution will be proposed at the AGM to approve: (i) the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's PRC auditor and PricewaterhouseCoopers as the Company's international auditor for the year 2021; (ii) the remuneration for the Company's PRC and international auditors for the year 2021, which amounts to RMB2,470,000 and RMB3,650,000, respectively; (iii) the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's internal control auditor for the year 2021 at an internal control audit fee, with the annual audit fee for the year 2021 included in the aforesaid annual audited fee; and (iv) the authorisation of the management of the Company to negotiate and determine the relevant fees with the financial auditors based on the scope of the Group and the changes in audit workload.

### **7. PROVISION OF REPURCHASE GUARANTEE TO CUSTOMERS UNDER THE FINANCE LEASE BUSINESS**

Due to the needs of its business development, the Company intends to cooperate with finance lease companies with corresponding business qualifications. Such companies provide finance lease services to certain customers who are creditworthy, meet financing conditions as reviewed by third-party finance lease companies and have no connected relations with the Company and its subsidiaries. If the customer fails to timely perform the payment obligation to the finance lease company, the Company will provide repurchase guarantee to finance lease companies in accordance with relevant agreements. The Company will require the customer or a third party designated by the customer to provide necessary counter-guarantees in respect of the guarantee obligations assumed by the Company.

#### **1. Limit of guarantee**

At any point in time during the effective period of the resolution, the amount of guarantee shall not exceed RMB2 billion for finance leases within the guarantee period.

#### **2. Guaranteed party**

The guaranteed party is yet to be determined, as the guarantee under consideration is the provision of guarantee for clients who will enter into some of the orders with the Company. Nevertheless, the guaranteed party should be such clients that are creditworthy, meet financing conditions as reviewed by third-party finance lease companies, and have no connected relations with the Company and its subsidiaries.

#### **3. Effective period of the resolution**

The resolution shall be effective from the date of consideration and approval at the 2020 AGM to the date of convening the 2021 AGM.

**4. Way of implementation**

Upon consideration and approval by the Board and the Shareholders' Meeting, the authorised general manager or his/her authorised person(s) shall sign relevant guarantee contracts and the finance department shall be responsible for specific implementation. The Company will not convene a separate Board meeting or Shareholders' Meeting to consider specific guarantee matters within the above limit and period.

An ordinary resolution will be proposed at the AGM to approve the above arrangement in relation to the provision of repurchase guarantee to customers under the finance lease business.

**8. PROVISION OF GUARANTEES TO AND AMONG CONTROLLING SUBSIDIARIES**

According to the needs of production operation and business development of both the Company and relevant controlling subsidiaries, the Company intends to provide guarantees to its controlling subsidiaries and allow such subsidiaries to provide guarantees to each other, so as to meet the needs of financing during their daily business operations. The specifics are reported as follows:

**I. General information of the guarantees**

In view of the needs of production operation and business development of both the Company and relevant controlling subsidiaries, some subsidiaries (including subsidiaries of the subsidiaries) within the scope of the Company's consolidated financial statements for the year 2020 intended to do financing with financial institutions, with the total amount of no more than RMB1 billion, in a bid to enhance the flexibility of the Company's funds usage, control the cost of capital and improve the economic effect of capital utilisation. To ensure smooth implementation of such financing with financial institutions by the Company and its subsidiaries for the year 2021, the Company intends to provide guarantees to its controlling subsidiaries or allow such subsidiaries to provide guarantees to each other, with the above amounts of guarantee not exceeding RMB1 billion.

Upon approval of the resolution by the Shareholders' Meeting, the operating management of the Company will be authorised to, within the aforementioned limit, adjust the limit of guarantee to the subsidiaries based on their needs of business development; and the operating management of the Company or its controlling subsidiaries will be authorised to sign a relevant guarantee agreement (or separate agreements) with financial institutions for the specific guarantees that occur, and will not convene a separate Board meeting or Shareholders' Meeting.

## LETTER FROM THE BOARD

### II. Particulars of the expected guarantees

No.	Name of the guaranteed party	Relationship with the Company	Expected limit of guarantee (RMB0'000)
1	Zhengzhou Zhima Street Industrial Co., Ltd	Wholly-owned subsidiary	10,000
2	SEG Automotive Germany GmbH and its subsidiary	Controlling subsidiary	20,000
3	ZMJ Commercial Factoring Company Limited	Wholly-owned subsidiary	20,000
4	Other controlling subsidiaries (including guarantees among subsidiaries in the note pool)	Controlling subsidiary	50,000
Total			100,000

### III. Basics of guarantor-related parties

#### (I) Basic Information of the parent company

Company name: Zhengzhou Coal Mining Machinery Group Company Limited

Company type: Limited liability company (listed)

Legal representative: JIAO Chengyao

Registered capital: RMB1,732,471,370

Address: No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou

Scope of business: Design, processing and manufacture of mining machinery and equipment, environmental protection equipment, general machinery, power station equipment, accessory, tool and mould; sales of metal materials; corporate management consulting; import and export of cargo and technology with exception of those prohibited and restricted by the state; and lease of real estate and tangible chattel as well as technology services. (In respect of items which require approval according to law, operation shall only commence upon approval by relevant authorities)

Financial condition: As of 31 December 2020, the Company recorded audited total assets of RMB21,651,326,800, total liabilities of RMB7,344,535,800 and net assets of RMB14,306,791,000. (Based on the data from the statements of the parent company)

## LETTER FROM THE BOARD

### (II) *Basic Information of the subsidiaries*

#### 1. *Zhengzhou Zhima Street Industrial Co., Ltd.*

Company name: Zhengzhou Zhima Street Industrial Co., Ltd.

Company type: Limited liability company (solely invested by a corporation that is invested or controlled by a non-natural person)

Legal representative: JIA Hao

Registered capital: RMB100,000,000

Address: No. 105 Huashan Road, Zhongyuan District, Zhengzhou

Scope of business: Hotel management; real estate development and operation; tourism project development; property services; property leasing; corporate marketing planning; corporate management consulting; design, production, agent and release of domestic advertisements; planning of cultural and art exchange activities; property construction engineering; civil engineering; municipal engineering; hydraulic engineering; and gardening projects.

Financial condition: As of 31 December 2020, Zhengzhou Zhima Street Industrial Co., Ltd. recorded audited total assets of RMB286,687,200, total liabilities of RMB189,157,800 and net assets of RMB97,529,400.

#### 2. *SEG Automotive Germany GmbH*

Company name: SEG Automotive Germany GmbH (“SEG”)

Company type: Limited liability company

Registered capital: 25,000 Euros

Address: Lotterbergstraße 30, 70499 Stuttgart, Germany

Scope of business: Development, manufacture and sales of motor systems and components, such as starter motors and generators, energy recovery systems and power components, as well as other services in these business areas.

Financial condition: As of 31 December 2020, SEG recorded audited total assets of RMB8,812,950,800, total liabilities of RMB7,599,820,800 and net assets of RMB1,213,130,000.

## LETTER FROM THE BOARD

### 3. *ZMJ Commercial Factoring Company Limited*

Company name: ZMJ Commercial Factoring Company Limited

Company type: Limited liability company

Legal representative: HUANG Hua

Registered capital: RMB100,000,000

Address: Room 1-1-1601, South Section, Financial Trade Centre, No. 6975, Asia Road, Tianjin Pilot Free Trade Zone (Dongjiang Free Trade Port Zone)

Scope of business: Provision of trade financing by way of acquisition of accounts receivable; the settlement, management and collection of account receivables, the management of sales ledgers; the investigation and evaluation of customers' credit standing; and related consulting services.

Financial condition: As of 31 December 2020, ZMJ Commercial Factoring Company Limited recorded audited total assets of RMB158,619,300, total liabilities of RMB54,278,400 and net assets of RMB104,340,900.

### **IV. Major content of the guarantees agreement**

The guarantee is the authorisation matters of the proposed guarantees, while the relevant guarantees agreement is yet to be signed. The major content of the guarantees agreement will be collectively negotiated and determined by the Company and relevant subsidiaries together with the bank. The ultimate actual total amount of guarantee will not exceed the limit of guarantee granted.

### **V. Opinion of the Board on provision of guarantees by the Company to or among controlling subsidiaries**

The Board of the Company considers that the guarantees are for the wholly-owned and controlling subsidiaries of which the Company has absolute control, with stable operation, good credit standing and controllable guarantee risk exposure. The loan primarily serves as the working capital for daily operations. The provision of guarantees by the Company or its controlling subsidiaries will not impair the interests of the Company and the Shareholders.



**VI. Independent opinion of the independent Directors on provision of guarantees by the Company to and among controlling subsidiaries**

The guarantees provided by the Company to and among controlling subsidiaries primarily serve as the working capital for the daily operations of the controlling subsidiaries. The Company has absolute control over the guaranteed parties, which have stable operation, good credit standing and controllable guarantees. Such guarantees comply with the relevant requirements of the Notice on Certain Issues in relation to Regulating the Capital Flow between Listed Companies and their Connected Parties as well as the External Guarantees of Listed Companies (Zheng Jian Fa [2003] No. 56) (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》(證監發[2003]56號)), the Notice on Regulating the External Guarantee Provided by Listed Companies (Zheng Jian Fa [2005] No. 120) (《關於規範上市公司對外擔保行為的通知》(證監發[2005]120號)), the Articles of Association, and the Regulations for Providing External Guarantees by the Company (《公司對外擔保制度》), and will not impair the interests of the Company and all the Shareholders, especially minority Shareholders.

**VII. Aggregate number of external guarantees and overdue guarantees**

As of the date of this resolution to be considered by the Board for disclosure, the Company and its controlling subsidiaries provided external guarantees totalling approximately RMB3,950,854,400 (excluding the limit of guarantee herein), which accounted for approximately 28.15% of the Company's audited net assets attributable to the Shareholders of the Company for the latest period. Of the aggregate amount, a total of RMB2,958,233,000 was provided by and among the subsidiaries, accounting for 21.08% of the Company's audited net assets attributable to the Shareholders of the Company for the latest period. No overdue guarantees were provided by the Company.

An ordinary resolution will be proposed at the AGM to approve the above arrangement on provision of guarantees to and among controlling subsidiaries.

**9. COMMENCEMENT OF THE HEDGING BUSINESS**

According to the demand of its business development, the Company and its subsidiaries intend to commence the futures and foreign exchange hedging business. Details are reported as follows:

**I. The purpose of commencement of the hedging business**

As important raw materials in the production of the Company's auto parts and coal machine businesses, commodities such as copper, aluminium and steel are in high demand and subject to considerable price volatility. To better avoid the impact of such volatility on its profit, the Company and its subsidiaries intend to hedge commodities such as copper, aluminium and steel. The products are meant for hedging and will not be used in speculation and arbitrage.



Meanwhile, the foreign exchange market is highly volatile due to the changes in global economy and political landscape. The Company's business covers various countries in Asia, Europe, America and Africa and is generally settled in currencies such as Euro, US Dollar, Hungarian Forint, Indian Rupee, Brazilian Real and Mexican Peso during overseas transactions. During significant exchange rate fluctuations, the exchange profit or loss will have a material impact on the operating results of the Company. To effectively avert the risk of foreign exchange exposure and prevent the adverse impact of major exchange rate fluctuations on its production and operation, the Company intends to manage the risk of foreign exchange exposure by hedging the products with no involvement in speculation and arbitrage.

**II. Overview of the proposed business of commodities and foreign exchange hedging**

1. Commodities hedging business: Raw materials needed during the production of the Company, such as copper, aluminium and steel.
2. Types of currencies involved in the foreign exchange hedging business: Currencies relating to the business operations of the Company and its controlling subsidiaries include Euro, RMB, US Dollar, Hungarian Forint, Indian Rupee, Brazilian Real and Mexican Peso.
3. Business scale: Based on the estimation of its future operational demands and initial hedging strategy, the Company shall commence its hedging business within 12 months from the date of approval of the resolution by the Board, with the transaction deposit capped at RMB800 million, rolling accumulation and reuse of the investment limit.

The commodities and foreign exchange hedging business requires the use of a certain percentage of self-owned capital or bank credit line as the deposit. Deposit payment will not adversely affect the capital usage plan of the Company or its subsidiaries.

4. Objectives and principles of the abovementioned hedging business

Such hedging business is designed to stabilise profitability, narrow the potential negative difference between the price of the important commodities concerned or foreign exchanges and annual budget prices; pay attention to the cost and effectively control hedging transactions, to minimise the hedging cost and other relevant costs; engage in no speculation, with the gains or losses from hedging transactions to constantly and fully offset the losses and gains of relevant positions arising from the Company's operations; and be market-oriented to make transaction decisions based on market information and available hedging prices, instead of personal expectation or forecast.

## LETTER FROM THE BOARD

### 5. Business processing

Upon approval of the resolution by the Board and the Shareholders' Meeting of the Company, its hedging business will take place pursuant to the requirements of the Management System for Hedging Business.

### III. Risk analysis of the hedging business

The hedging business of the Company is grounded in specific business operations instead of speculative transactions, to avert the impact on operating profit arising from the fluctuations of commodity prices and exchange rates, control exposure and avoid risks. Nonetheless, certain risks also exist with the commodities and exchange rate hedging:

#### 1. *Market risks*

Market risks include systemic risks, mistakes in the direction of commodities or exchange price forecasts and the risks arising from such deviation between the price tendency of commodity futures or forward exchange rates and that of spot goods.

#### 2. *Liquidity risks*

Lack of market activity in trading the products will result in the hedging positions unable to be transacted at an appropriate price level, leading to a considerable deviation between the actual transaction outcome and the designed solution design and thereby causing losses.

#### 3. *Operation risks*

Owing to its high professionalism and complexity, the commodities or foreign exchange hedging business may cause certain risks under inadequate internal control systems or the capability of the operators.

#### 4. *Credit risks*

In commodities or foreign exchange hedging transactions, credit risks may arise from defaults by counterparties who are unable to perform their obligation of making hedging payment to the Company.

### IV. Proposed risk control measures for the Company

1. Operation shall take place strictly according to the hedging-related systems prepared by the Company, with decision-making, transaction and risk control separated to render business operations safer, more efficient and controllable.

## LETTER FROM THE BOARD

2. Hedging principles shall be strictly observed, with speculative transactions to be prohibited. Work should be done to avoid the risks from price fluctuations in spot goods through the functions of future and forward products hedging as well as price identification. Work should also be done to protect profitability, regard the operation of spot goods as the constant basis, only engage in hedging relevant product types within the business scope, and adhere to scientific hedging concepts with no engagement in any form of market speculation.
3. Business planning shall take place strictly according to the size of hedging capital approved by the Board and the Shareholders' Meeting, with reasonable use of the deposit to improve capital efficiency and lower capital risks.
4. Relevant requirements, systems and regulations of futures and forward exchanges shall be firmly grasped, with solid knowledge of every process of transacting relevant products as well as proper risk management in relevant departments.
5. A talent cultivation and incentive mechanism shall be emphasised. It is necessary to maintain a combination of internal training and external introduction to prepare talent reserves for the operation of futures and forward products, with scientific and reasonable incentive measures in place to identify and retain talents, so as to lay a solid foundation for the sound development of the hedging business.

An ordinary resolution will be proposed at the AGM to approve the above arrangements on commencement of the hedging business.

### **10. 2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT) OF ZHENGZHOU COAL MINING MACHINERY GROUP COMPANY LIMITED AND THE SUMMARY THEREOF**

On 17 April 2021, the Board resolved to propose the adoption of the 2021 Restricted Share Incentive Scheme (Draft). The 2021 Restricted Share Incentive Scheme is subject to the consideration and approval by the Shareholders at the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting.

Please see Annex B for the full text of the 2021 Restricted Share Incentive Scheme (Draft).

### **Information of the Company**

The Company is principally engaged in the manufacturing and sales of automotive components and hydraulic roof supports and related components for comprehensive coal mining and excavation and provision of related services. Products of the Company are manufactured according to sales orders and tailor-made to suit customers' specific requirements. Research and development, design, procurement, production and sales of the major products of the Company are all completed internally.

## LETTER FROM THE BOARD

### **Reasons for and Benefits of the Adoption of the 2021 Restricted Share Incentive Scheme**

Implementation of the Scheme is conducive to further improving the corporate governance structure and incentive mechanism of the Company, enhancing the sense of responsibility and mission of the Company's management team for achieving sustainable and sound development of the Company, and ensuring the realisation of its development goals. Hence, the Company has prepared the Scheme pursuant to relevant laws, regulations and administrative and regulatory documents such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for Equity Incentives of Listed Companies as well as the provisions of the Articles of Association.

### **Implications of the Listing Rules**

The 2021 Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules. Given that the Restricted Shares are to be granted to the connected persons of the Company under the 2021 Restricted Share Incentive Scheme, the Scheme constitutes a non-exempt connected transaction of the Company, which is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Participants under the 2021 Restricted Share Incentive Scheme, Mr. Jiao Chengyao, Mr. Xiang Jiayu, Mr. Jia Hao and Mr. Fu Zugang are deemed to be materially interested in the resolutions concerned and have abstained from voting at the Board meeting held on 17 April 2021. As a member of the Remuneration and Assessment Committee, Mr. Jia Hao has abstained and shall abstain from voting at the relevant meetings of the Remuneration and Assessment Committee. Apart from that, no other Director was required to abstain from voting on the resolutions concerned due to their material interest therein.

As of the Latest Practicable Date, to the best knowledge of the Directors after all reasonable enquiries, Mr. Jiao Chengyao, Mr. Xiang Jiayu, Mr. Fu Zugang, Mr. Wang Yongqiang, Mr. Zhou Rong and Mr. Yang Mingjie held shares of the Company and shall therefore abstain from voting on the proposed adoption of the 2021 Restricted Share Incentive Scheme. Apart from this, no Shareholders have a material interest in any resolution to be proposed at the AGM and the First H Shareholders Class Meeting of 2021 and are required to abstain from voting on the above resolutions.

The Company has established an Independent Board Committee to offer its view to independent Shareholders in relation to the grant of the Restricted Shares to the Participants that are connected persons of the Company. The Company has also appointed an independent financial advisor to advise the Independent Board Committee and independent Shareholders on the grant of the Restricted Shares to the Participants that are connected persons of the Company.

**11. ADMINISTRATIVE MEASURES FOR PERFORMANCE EVALUATION UNDER THE 2021 RESTRICTED SHARE INCENTIVE SCHEME OF ZHENGZHOU COAL MINING MACHINERY GROUP COMPANY LIMITED**

To ensure smooth implementation of this equity incentive scheme, the Company has set out the Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited according to relevant laws and regulations and actual circumstances of the Company. It is hereby proposed to the Shareholders' Meeting of the Company for consideration.

Please see Annex C for the full text of the Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited.

**12. AUTHORISATION OF THE BOARD TO HANDLE MATTERS REGARDING THE 2021 RESTRICTED SHARE INCENTIVE SCHEME**

To ensure smooth implementation of this equity incentive scheme, the Board of the Company requests the Shareholders' Meeting of the Company to authorise the Board of the Company to fully handle all matters related to this equity incentive scheme, including but not limited to:

1. Authorising the Board of the Company to be responsible for the specific implementation of the following matters of this equity incentive scheme:
  - (1) Determining the Date of Grant of this equity incentive scheme;
  - (2) In the event of issues such as capitalisation of capital reserve, bonus issue, share subdivision, rights issue, share consolidation and dividend distribution, the number of the Restricted Shares, the Grant Price, and the repurchase number and price of the Restricted Shares shall be adjusted accordingly by the method stipulated in the Incentive Scheme (Draft);
  - (3) Reviewing and confirming the qualifications and grant conditions of the Participants, granting the Restricted Shares to the Participants when they meet the conditions, and handling all necessary matters for the grant of the Restricted Shares, including but not limited to signing the grant agreement with the Participants, applying to the Stock Exchange for the grant, and applying to CSDC for registration and settlement operations;
  - (4) Reviewing and confirming the unlocking qualifications and conditions of the Participants and handling all necessary matters for the unlocking

## LETTER FROM THE BOARD

by the Participants, including but not limited to applying to the Stock Exchange for the unlocking and applying to CSDC for registration and settlement operations;

- (5) Handling the change and termination of this equity incentive scheme in accordance with the Incentive Scheme (Draft);
- (6) Making corresponding responses to any change in the personal conditions of the Participant, including but not limited to cancelling the eligibility of the Participant for unlocking the Restricted Shares, repurchasing and cancelling the outstanding Restricted Shares of the Participant, handling the succession of the outstanding Restricted Shares of deceased Participants, and deciding whether to recover the gains from any exercise by the Participants;
- (7) Managing and adjusting this equity incentive scheme, and establishing or amending the management and implementation provisions of this equity incentive scheme from time to time in compliance with the Incentive Scheme (Draft), including but not limited to adjusting the list of Participants and the number of Restricted Shares granted according to specific circumstances; provided that such amendments are required to be approved by the Shareholders' Meeting or/and relevant regulatory authorities by laws, regulations or relevant regulatory authorities, such amendments by the Board shall be approved accordingly;
- (8) Amending the Performance Evaluation Measures, and formulating and amending other institutional documents related to this equity incentive scheme;
- (9) In the event of any amendments to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures for Equity Incentives of Listed Companies and other laws and regulations governing the equity incentives of listed companies, the relevant contents of this equity incentive scheme will be adjusted in line with such amendments;
- (10) Adjusting the relevant contents of this equity incentive scheme in accordance with the requirements of regulatory authorities;
- (11) Approving and signing, executing, amending or terminating any agreement or other related documents in connection with this equity incentive scheme;
- (12) Authorising the Board of the Company to handle other necessary matters required for the implementation of this equity incentive scheme, except for such rights exercised by the Shareholders' Meeting that are explicitly stipulated by relevant laws and regulations.

## LETTER FROM THE BOARD

2. Requesting the Shareholders' Meeting of the Company to authorise the Board of the Company to handle the procedures of approval, registration, filing and approval with the relevant governments and institutions for this equity incentive scheme; sign, execute and amend the documents submitted to the relevant governments, institutions, organisations and individuals; amend the Articles of Association and register the change of the registered capital of the Company; handle all other matters that are necessary, appropriate or expedient in relation to this equity incentive scheme; and delegate the Remuneration and Assessment Committee of the Board to directly handle the above-mentioned authorised matters on behalf of the Board, except for such matters that require approval by a resolution of the Board as explicitly stipulated by laws, administrative regulations, regulations of securities regulators, administrative and regulatory documents, the Incentive Scheme (Draft) or the then Articles of Association in force.
3. Requesting the Shareholders' Meeting to approve and authorise the Board of the Company to appoint intermediaries such as financial advisors, receiving banks, accountants, lawyers and securities companies for the implementation of this equity incentive scheme.
4. Requesting the Shareholders' Meeting of the Company to agree that the effective period of the authorisation from the Board is the same as that of this equity incentive scheme.

The Chairman or his authorised person(s) as appropriate may directly handle the above-mentioned authorised matters on behalf of the Board of the Company, except for such matters that require approval by a resolution of the Board of the Company as explicitly stipulated by laws, administrative regulations, regulations of securities regulators, administrative and regulatory documents, the Incentive Scheme (Draft) or the then Articles of Association in force.

### CLOSURE OF REGISTER

The register of members for H Shares of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. H Shareholders whose names appear on the Company's register of members on Friday, 4 June 2021 are entitled to attend the AGM and the H Shareholders Class Meeting. For the H Shareholders of the Company who wish to attend the AGM and the H Shareholders Class Meeting but have yet to be registered, their transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar for H Shares, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Monday, 31 May 2021. If the profit distribution plan for the year 2020 is approved by the Shareholders, the final Dividends on the H Shares of the Company will be paid on or before 30 July 2021.



## LETTER FROM THE BOARD

Subject to the approval of the relevant proposal on dividend distribution at the AGM, the Dividends will be paid to the Shareholders whose names appear on the register of members for H Shares of the Company after the close of the market on Monday, 12 July 2021. The register of members for H Shares of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive), during which period no transfer of Shares will be registered. For the H Shareholders of the Company who wish to be entitled to receive the final Dividends but have not registered their transfer documents, their transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Tuesday, 6 July 2021.

### VOTING AT THE AGM AND THE H SHAREHOLDERS CLASS MEETING

According to Rule 13.39(4) of the Listing Rules, unless the Chairman decides on good faith that a show of hands is allowed for any resolution in relation to procedural or administrative issues, any vote by the Shareholders at any Shareholders' Meeting shall be conducted by poll. As such, the Chairmen of the AGM and the H Shareholders Class Meeting will, pursuant to Article 121 of the Articles of Association, demand a vote by poll for every resolution proposed at the AGM and the H Shareholders Class Meeting.

During a poll vote, every Shareholder present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote for each Share registered in the Shareholder's name in the register for members. According to Article 123 of the Articles of Association, a Shareholder (including proxy) entitled to two or over two votes is under no obligation to cast all his/her votes for or against any resolution.

### RECOMMENDATION

The Board believes that all the resolutions mentioned above are in the best interest of the Company and its Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote for the relevant resolutions to be proposed at the AGM and the H Shareholders Class Meeting as set out in the notices of the AGM and the H Shareholders Class Meeting.

By Order of the Board  
**Zhengzhou Coal Mining Machinery Group Company Limited**  
鄭州煤礦機械集團股份有限公司  
**JIAO Chengyao**  
*Chairman*





**Zhengzhou Coal Mining Machinery Group Company Limited**  
**鄭州煤礦機械集團股份有限公司**

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

**(Stock Code: 00564)**

14 May 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**2021 RESTRICTED SHARE INCENTIVE SCHEME OF ZHENGZHOU COAL  
MINING MACHINERY GROUP COMPANY LIMITED**

We refer to the circular of the Company dated 14 May 2021 (this “**Circular**”) dispatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in this letter shall have the same meanings in this Circular.

Given that the certain Participants under the 2021 Restricted Share Incentive Scheme are directors and supervisors of the Company and its subsidiaries, they are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, granting Restricted Shares to such Participants under the incentive scheme constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. We have been appointed to advise the Independent Shareholders whether the 2021 Restricted Share Incentive Scheme is fair and reasonable and in the interests of the Company and the Shareholders as a whole and make recommendation on voting. And Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended Connected Transaction.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 22 of this Circular and the letter from Gram Capital as set out on pages 25 to 44 of this Circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by Gram Capital, we are of the opinion that the terms of the 2021 Restricted Share Incentive Scheme are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM and the H Shareholders Class Meeting.

Yours faithfully,

For and on behalf of the Independent Board Committee of  
**Zhengzhou Coal Mining Machinery Group Company Limited**  
鄭州煤礦機械集團股份有限公司

**Cheng Jinglei**

*Independent Non-executive Director*

**Guo Wenqing**

*Independent Non-executive Director*

**Ji Feng**

*Independent Non-executive Director*

**Fang Yuan**

*Independent Non-executive Director*

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Connected Grant for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

14 May 2021

*To: The independent board committee and the independent shareholders  
of Zhengzhou Coal Mining Machinery Group Company Limited*

Dear Sir/Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the grant of Restricted Shares to connected persons of the Company under the Scheme (the “**Connected Grant**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 May 2021 issued by the Company to the Shareholders (the “**Circular**”) and the Annex B to the Circular, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company published announcement on 18 April 2021 on the Hong Kong Stock Exchange and on 19 April 2021 (the “**Announcement Date**”) on the Shanghai Stock Exchange that the Board resolved on the proposed adoption of the Scheme, subject to consideration and approval by the Shareholders at the annual general meeting, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting of the Company.

The number of the Restricted Shares of the Company to be granted to the Participants under the Scheme is 42,300,000, amounting to approximately 2.442% of the total share capital as at the date on which the Scheme is considered and approved at the general meeting. The grant is a one-off grant without reserved interests.

Among the total of 42,300,000 Restricted Shares: (i) 17,100,000 Restricted Shares will be granted to 20 connected persons of the Company (the “**Connected Participants**”); and (ii) 25,200,000 Restricted Shares will be granted to 166 other Participants.

With reference to the Board Letter, the Connected Grant constitutes a non-exempt connected transaction of the Company, which is subject to reporting, announcement and independent shareholder’s approval requirement under Chapter 14A of the Listing Rules.

## LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Cheng Jinglei, Mr. Ji Feng, Ms. Guo Wenqing and Mr. Fang Yuan (all being independent non-executive Directors) has been established to advise the independent Shareholders on (i) whether the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grant at the AGM and the First H Shareholders Class Meeting of 2021. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

### INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Scheme. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

## LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Participants (including the Connected Participants) or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the proposed adoption of the Scheme. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### **Principal factors and reasons considered**

In arriving at our opinion in respect of the Connected Grant, we have taken into consideration the following principal factors and reasons:

#### **1. *Background of and reasons for the Connected Grant***

##### *Information on the Company*

With reference to the Board Letter, the Company is principally engaged in the manufacturing and sales of automotive components and hydraulic roof supports and related components for comprehensive coal mining and excavation and provision of related services. The Company's products are manufactured according to sales order and tailor-made to suit customers' specific requirements. Research and development, design, procurement, production and sales of the major products of the Company are all completed internally.

## LETTER FROM GRAM CAPITAL

Set out below is a summary of the key audited consolidated financial information of the Group for the five years ended 31 December 2020 as extracted from the Company's annual report for the year ended 31 December 2020 and relevant annual reports:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>	For the year ended 31 December 2016 <i>RMB'000</i>
Revenue	26,519,393	25,721,417	26,011,730	7,546,701	3,628,530
Profit for the year attributable to owners of the Company	1,239,149	1,040,253	832,344	284,250	61,997

As depicted by the above table, during the recent five full financial years, the Group's profit attributable to owners of the Company had increased continuously from approximately RMB62.0 million for the year ended 31 December 2016 to approximately RMB1,239.1 million for the year ended 31 December 2020, mainly due to the increase in overall gross profit margin of the Group over the years.

With reference to the Company's annual report for the year ended 31 December 2020, despite the abrupt assault from the Covid-19 pandemic in a complex and severe industry situation, having equipped with the mind-set of starting afresh on another entrepreneurial adventure, the Group leveraged innovation as the key with faster transformation toward intelligence, greater technology and management innovation as well as optimisation of the governance structure, striving to break new ground in high-quality development. As a result, the Group's key economic indicators have improved continuously.

As pointed out in the Outline of the 14th Five-Year Plan, the world is undergoing once-in-a century transformations, with the new technological revolution and industrial transformation making inroads. The Group is confronted by an increasingly complex international environment with much more instability and uncertainties, coupled with the far-reaching impact of the Covid-19 pandemic. The Company will advance towards its objectives by focusing on its development strategies and engaging in change and innovation with courage.

### *Information on the Connected Participants*

With reference to the Annex B to the Circular, Participants of the Scheme are determined in accordance with relevant laws, regulations and administrative and regulatory documents such as the Company Law, the Securities Law, the Administrative Measures as well as the relevant provisions of the Article of Association. Persons who are under the certain circumstances shall not qualify as Participants, details of which are set out in the section headed "SCOPE OF THE PARTICIPANTS" of the Annex B to the Circular.

## LETTER FROM GRAM CAPITAL

The Directors advised us that after finalising the identities of all Participants (i.e. (i) Directors and senior management of the Company; and (ii) core management and core personnel of the Company's headquarters and relevant business segments, the "**Core Management**"), the Company further identified whether such Participants are connected persons of the Company.

Details of the Connected Participants are set out under the section headed "III. DISTRIBUTION OF THE RESTRICTED SHARES GRANTED UNDER THE SCHEME" of the Annex B to the Circular.

### *Reasons for and benefits of the Connected Grant*

With reference to the Board Letter, implementation of the Scheme is conducive to further improving the Company's corporate governance structure and incentive mechanism, enhance the sense of responsibility and mission of the Company's management team for achieving sustainable and sound development of the Company and ensure the realization of its development goals.

Based on our independent research, we noted that there were various companies (which listed on main board of Shanghai Stock Exchange) proposed to grant restricted shares to their directors/senior/middle managements and/or core personnel during the recent years. Accordingly, we consider that it is a common practice for companies listed on Shanghai Stock Exchange to adopt restricted share incentive scheme for their personnel and employees.

Having considered the above reasons and that (i) the Connected Grant can motivate the Connected Participants to make contributions to the Group; (ii) adopting restricted share incentive scheme for personnel and employees is a common practice for companies listed on Shanghai Stock Exchange; and (iii) there will not be any actual cash paid by the Group to the Connected Participants under the the Connected Grant, we concur with the Directors that the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. *Principal terms of the Connected Grant*

Set out below are the principal terms of the Connected Grant. Details of the terms of the Connected Grant are set out under the Annex B to the Circular.

*Number of Restricted Shares under the Connected Grant*

The number of Restricted Shares to be granted to each of Connected Participants ranged from approximately 0.01% to 0.17% of the total share capital of the Company as at the Latest Practicable Date. Details of number of Restricted Shares to be granted to the Connected Participants are set out under the section headed “III. DISTRIBUTION OF THE RESTRICTED SHARES GRANTED UNDER THE SCHEME” of the Annex B to the Circular.

As advised by the Directors, the Company first determined number of Restricted Shares to be granted to chairman of the Company based on his contributions and remuneration level in recent years and having considered recent proposals relating to the grant of restricted A shares by other company which is listed on Shanghai Stock Exchange.

The Directors further determined number of Restricted Shares to other participants with reference to, among other things, number of Restricted Shares to be grant to chairman of the Company and the positions and seniority of such participants. The Company may further adjust the number of Restricted Shares with reference to the participants’ capability, contribution and importance to the Group.

For our due diligence purpose, we obtained assessment records of the Connected Participants and noted that such assessment records were consistent with the aforesaid basis of determining the numbers of Restricted Shares to be granted to the Connected Participants.

To assess the fairness and reasonableness of the number of Shares to be granted to the Connected Participants, we identified those restricted A shares incentive scheme proposals first announced by companies listed on the main board of Shanghai Stock Exchange from 19 March 2021 to 18 April 2021, being one month immediate before the Announcement Date (the “**Review Period**”). To the best of our



## LETTER FROM GRAM CAPITAL

knowledge, we found 16 scheme proposals (the “**Comparables**”), which are exhaustive, fair and representative. The table below sets out the summary of the Comparables (the “**Comparables Table**”):

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the “Criteria”)) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/ senior management to the total share capital of the listed companies
17 April 2021	物產中大集團股份有限公司 (Wuchan Zhongda Group Co., Ltd.) (SH600704)	Yes. 65%	Yes	24 months 36 months 48 months	Company aspect: financial performance based on pre-determined performance indicators (such as return on assets ratio, economic value added and liabilities to assets ratio)  Individual aspect: performance evaluation	0.01%
15 April 2021	浙江天成自控股份有限公司 (Zhejiang Tiancheng Controls Co., Ltd.) (SH603085)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicator (such as operating income growth rate)  Individual aspect: performance evaluation	0.02%

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed companies
13 April 2021	蘇州晶方半導體科技股份有限公司 (China Wafer Level CSP Co., Ltd.) (SH603005)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicator (such as net profit growth rate)  Individual aspect: performance evaluation	Nil
9 April 2021	天津友發鋼管集團股份有限公司 (Tianjin You Fa Steel Pipe Group Stock Co., Ltd.) (SH601686)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: business performance based on pre-determined performance indicator (such as sales volume)  Individual aspect: performance evaluation	Nil

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/ senior management to the total share capital of the listed companies
7 April 2021	重慶三峰環境集團股份有限公司 (Chongqing Sanfeng Environment Group Corp., Ltd.) (SH601827)	Yes. 50% (Note 1)	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicators (such as maintaining certain percentage of return on net assets and operating profit margin and being not lower than the average of market peers, and maintaining certain level of net profit growth rate)  Individual aspect: performance evaluation	0.014% to 0.019%
6 April 2021	昆藥集團股份有限公司 (KPC Pharmaceuticals, Inc.) (SH600422)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicators (such as net profit growth rate and cash distribution ratio)  Individual aspect: performance evaluation	0.02% to 0.09%

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/ senior management to the total share capital of the listed companies
6 April 2021	廣州發展集團股份有限公司 (Guangzhou Development Group Incorporated) (SH600098)	Yes. 60%	Yes	24 months 36 months 48 months	Company aspect: financial and business performance based on pre-determined performance indicators (such as maintaining certain level of compound annual growth rate on return on equity ratio after excluding non-recurring profit or loss items, net profit growth rate after excluding non-recurring profit or loss items, and cumulative growth in installed capacity of green low-carbon electric power system, all of the aforementioned performance indicators shall not be lower than the average of market peers and not lower than certain percentage of the benchmarking company)	Nil
					Individual aspect: performance evaluation	

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/ senior management to the total share capital of the listed companies
31 March 2021	大連百微化學股份有限公司 (Dalian Bio-Chem Company Limited) (SH603360)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicator (such as net profit growth rate)  Individual aspect: performance evaluation	0.04% to 0.15%
31 March 2021	江蘇振江新能源裝備股份有限公司 (Jiangsu Zhenjiang New Energy Equipment Co., Ltd.) (SH603507)	Yes. 50%	Yes	12 months 24 months	Company aspect: financial performance based on pre-determined performance indicator (such as net profit growth rate)  Individual aspect: performance evaluation	0.02% to 0.04%

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed companies
31 March 2021	雲南健之佳健康連鎖店股份有限公司 (Yunnan Jianzhijia Health-Chain Co., Ltd.) (SH605266)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicator (such as net profit growth rate)  Individual aspect: performance evaluation	0.0075% to 0.0208%
30 March 2021	福建火炬電子科技股份有限公司 (Fujian Torch Electron Technology Co., Ltd.) (SH603678)	Yes. 50%	Yes	12 months 24 months	Company aspect: financial performance based on pre-determined performance indicators (such as operating income growth rate and net profit growth rate)  Individual aspect: performance evaluation	0.005% to 0.011%

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed companies
26 March 2021	中曼石油天然氣集團股份有限公司 (Zhongman Petroleum and Natural Gas Group Corp., Ltd.) (SH603619)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicator (such as maintaining net profit at certain level)  Individual aspect: performance evaluation	0.05% to 0.08%
25 March 2021	銀都餐飲設備股份有限公司 (Yindu Kitchen Equipment Co., Ltd.) (SH603277)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicators (such as either net profit growth rate or operating income growth rate)  Individual aspect: performance evaluation	0.07% to 0.22%

# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/ senior management to the total share capital of the listed companies
23 March 2021	陽煤化工股份有限公司 (Yangmei Chemical Co., Ltd.) (SH600691)	Yes. 60%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicators (such as maintaining certain percentage of EBITDA to net assets ratio and being not lower than the average of market peers and not lower than certain percentage of the benchmarking company, maintaining certain level of and growth rate on net profit and being not lower than the average of market peers and not lower than certain percentage of the benchmarking company) (Note 3)	0.03% to 0.06% (Note 2)
					Individual aspect: performance evaluation	



# LETTER FROM GRAM CAPITAL

Publication date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the "Criteria")) (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/ (if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed companies
22 March 2021	上海大智慧股份有限公司 (Shanghai Great Wisdom Co., Ltd.) (SH601519)	Yes. 50%	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicator (such as operating income growth rate and compound annual growth rate)  Individual aspect: performance evaluation	0.02% to 0.05%
19 March 2021	浙江富潤數字科技股份有限公司 (Zhejiang Furun Digital Technology Co., Ltd.) (SH600070)	No. (Note 4)	Yes	12 months 24 months 36 months	Company aspect: financial performance based on pre-determined performance indicators (such as maintaining certain level of net profit and maintaining net cash inflow from operating activities)  Individual aspect: performance evaluation	0.10% to 0.19%

## LETTER FROM GRAM CAPITAL

### *Notes:*

1. The grant price of Chongqing Sanfeng Environment Group Corp., Ltd. shall not be lower than 60% of the fair market price if such price is lower than the net asset value per share of the company.
2. Excluding senior management of subsidiaries of the company.
3. EBITDA stands for earnings before interest, tax, depreciation and amortisation.
4. The grant price of Zhejiang Furun Digital Technology Co., Ltd. was determined based on 50% of average share repurchase price.

Sources: <http://www.cninfo.com.cn/>

As depicted from the Comparables Table, the percentage of the restricted A shares to be granted to individual directors and senior management of the Comparables (save for those which did not propose to grant to directors and senior management) to the total share capital of the Comparables ranged from 0.005% to 0.22% (the “**Comparable Percentage Range**”). The number of Restricted Shares to be granted to the Connected Participants ranged from approximately 0.01% to 0.17% of the total share capital of the Company as at the Announcement Date, did not exceed the upper limit of Comparable Percentage Range.

Having considered the above, we are of the view that the numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable.

### *The Grant Price*

With reference to the Annex B to the Circular, the Grant Price of the Restricted Shares granted under the Scheme is RMB5.88 per Share. After meeting the conditions of grant, the Participants can purchase the ordinary A Shares directly issued to them by the Company at the price of RMB5.88 per Share.

Under the Scheme, the Grant Price shall not be less than the nominal value of the A Shares of the Company and the higher of the following: (i) 50% of the average trading price of the Company’s A Shares on the trading day immediately preceding the announcement date of the Scheme (i.e. RMB5.81); and (ii) 50% of the average trading price of the Company’s A Shares for 20 trading days immediately preceding the date of the announcement date of the Scheme (i.e. RMB5.88).

As advised by the Directors, the Grant Price has to comply with the requirements set out under the Administrative Measures promulgated by the CSRC, which requires the issue price of new shares (i) not to be set at a price lower than its nominal value; and (ii) principally not to be set at a price lower than the higher of the (a) 50% of the average trading price on the trading day preceding the date of announcement of the A share incentive scheme (draft); and (b) 50% of the average trading price for one of the last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the A shares incentive scheme (draft). If a listed company adopts other approaches to determine grant price of restricted A

## LETTER FROM GRAM CAPITAL

shares, detailed basis of determination of such price should be disclosed in the A shares incentive scheme. As demonstrated above, the Grant Price complies with the Administrative Measures.

As demonstrated in the above table, the majority of the Comparables' grant price were determined based on 50% of the benchmark price (being the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme (draft); and (ii) the average trading price of the subject A shares for one of the last 20 trading days, 60 trading days, or 120 trading days preceding the date of announcement of the incentive scheme (draft)).

Given that the above and that the Grant Price complies with the Administrative Measures and in line with the market practice, we are of the view that the Grant Price is fair and reasonable.

*The Validity Period, Lock-up Period and Unlocking Arrangement of the Scheme (the "Unlocking Conditions")*

With reference to the Annex B to the Circular, the Validity Period of the Scheme shall be no more than 48 months from the date of the completion of the grant registration of the Restricted Shares to the date when all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled.

The lock-up period for the Restricted Shares granted under the Scheme shall commence from the date on which the Restricted Shares are granted to the Participants with an interval of 12 months between the date of grant and the unlocking date. The Restricted Shares granted to the Participants under the Scheme shall not be transferred or used as guarantee or for repayment of debts before unlocking.

During the blackout period of the Restricted Shares, the Participants shall be entitled to cash dividends due to the Restricted Shares granted and the repurchase price shall be adjusted accordingly. The shares obtained by them due to the Restricted Shares granted and arising from capitalisation of capital reserve, bonus issue and share subdivision shall be subject to the lock-up simultaneously, and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such shares is the same as that of the Restricted Shares. If such shares cannot be unlocked under the Scheme, they shall be repurchased and cancelled by the Company.

Upon unlocking, the Company shall handle unlocking issues for the Participants that satisfy the Unlocking Conditions, whereas the Restricted Shares held by the Participants that do not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

## LETTER FROM GRAM CAPITAL

The Unlocking Period and respective unlocking schedules for the Restricted Shares granted under the Scheme are set out in the table below:

Arrangement of Unlocking Period	Unlocking duration	Unlocking percentage
First Unlocking Period	Commencing from the first trading day upon expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant.	40%
Second Unlocking Period	Commencing from the first trading day upon expiry of 24 months from the date of grant to the last trading day upon expiry of 36 months from the date of grant.	30%
Third Unlocking Period	Commencing from the first trading day upon expiry of 36 months from the date of grant to the last trading day upon expiry of 48 months from the date of grant.	30%

As demonstrated in the Comparables Table, (i) the first portions of restricted A shares to be granted under the first grant by majority of the Comparables were with locking period for 12 months from the date of which the grant has been registered; and (ii) an additional 12 months period was applied to the next portions of restricted A shares to be granted by the Comparables (e.g. from 1st portion to 2nd portion, from 2nd portion to 3rd portion). We consider that the lock-up period for the grant of Restricted Shares under the Scheme were comparable to the lock-up period under the Comparables.

Certain conditions must be fulfilled before the Company can grant the Restricted Shares under the Scheme, or the Restricted Shares granted under the Scheme can be unlocked (e.g. performance appraisal at company level and performance appraisal at individual level). Details of the Unlocking Conditions (including the performance indicators) are set out under Annex B to the Circular. We noticed the conditions for unlocking the Restricted Shares are similar to those of the Comparables (i.e. including both company aspect and individual aspect).

We are of the view that the Unlocking Conditions will strengthen the incentive for the Connected Participants to use their efforts to achieve the performance targets, which will contribute to the growth and development of the Group.

In addition, according to our observation on the Comparables, we noted that it is common practice for restricted A shares incentive schemes to have conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies.

### *Adjustments*

Number of Restricted Shares and the Grant Price are subject to adjustment according to various situations (e.g. capitalisation of capital reserves, bonus issue, share subdivision of shares, rights issue and share consolidation). For details, please refer to section headed “METHOD AND PROCEDURES FOR ADJUSTMENT TO THE SCHEME” as contained in Annex B to the Circular. We noted that the calculation formulae of adjustments to number of Restricted Shares and the Grant Price are comparable to those of the Comparables. Having considered that the adjustment mechanisms (i) will be applied to all Participants (including Connected Participants); and (ii) are comparable to those of the Comparables, we do not doubt the fairness and reasonableness of the proposed adjustment mechanisms for number of Restricted Shares and the Grant Price.

Having considered the above and that, save as number of Restricted Shares to be granted may be different among the Participants (including the Connected Participants), other terms of the Connected Grant (i.e. repurchase and cancellation of Restricted Shares, adjustments, etc.) are the same as those under the Scheme, we are of the view that the terms of the Connected Grant are fair and reasonable.

### **3. *Dilution effect on the shareholding interests of the existing Shareholders of the Company***

The Connected Grant involves 17,100,000 Restricted Shares, representing approximately 0.99% of the existing total issued share capital of the Company as at the Announcement Date. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders of Company will be immaterial.

### **4. *Possible financial impact of the 2021 Restricted Share Incentive Scheme***

With reference to the section headed “II. EXPECTED IMPACT FROM THE IMPLEMENTATION OF THE RESTRICTED SHARES ON THE OPERATING RESULTS OF EACH PERIOD” of the Annex B of the Circular, assuming the measurement was based on the Company’s share price as at 16 April 2021, the fair value of share-based payment per Restricted Share granted to the Participant by the Company shall be RMB5.85 per Restricted Share, and the total expenses that would have been recognised in respect of the grant of Restricted Shares is estimated to be approximately RMB247.455 million.

## LETTER FROM GRAM CAPITAL

Set out below are the expenses, as incentive costs in relation to the 2021 Restricted Share Incentive Scheme, that will be amortised by stage on the basis of vesting percentage and expenses in operating profit or loss, assuming the measurement was based on the Company's share price as at 16 April 2021:

Year	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	Total <i>RMB'000</i>
Expenses to be amortised	80,422.9	111,354.8	43,304.6	12,372.8	247,455
Expenses to be amortised as a % to the Company's profit for the year of approximately RMB1,378.78 million for the year ended 31 December 2020	<u>6%</u>	<u>8%</u>	<u>3%</u>	<u>1%</u>	

*Notes:*

1. The results above do not represent the final costs in accounting. The actual costs are associated with the actual grant price, the date of grant, the closing price on the date of grant, the size of grant, and the best estimate on the number of equity instruments that can be vested, and the possible dilutive effects are brought to the attention of Shareholders.
2. The ultimate impact on the operating results of the Company shall rest on the annual audit report to be issued by the accounting firm.

In accordance with the Company's preliminary estimates based on currently available information, without taking into account the stimulating effect from the incentive scheme on the results of the Company, based on the above preliminary assessment, the amortisation of the expenses in relation to the 2021 Restricted Share Incentive Scheme will not cause a material impact on the net profit of the Group.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the independent Shareholders to vote in favour of the resolution to be proposed at the AGM and the First H Shareholders Class Meeting of 2021 to approve the Connected Grant, and we recommend the independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

## NOTICE OF 2020 ANNUAL GENERAL MEETING



### Zhengzhou Coal Mining Machinery Group Company Limited 鄭州煤礦機械集團股份有限公司

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

**(Stock Code: 00564)**

#### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2020 Annual General Meeting (the “AGM”) of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”) will be convened at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 4 June 2021 for the following purposes:

#### ORDINARY RESOLUTIONS

1. Report of the Board for the year 2020;
2. Report of the Board of Supervisors for the year 2020;
3. Annual report for the year 2020;
4. Report of the independent non-executive Directors on their performance for the year 2020;
5. Profit distribution plan for the year 2020;
6. Appointment of the external auditors and internal control auditors for the year 2021;
7. Provision of repurchase guarantee to customers under the finance lease business;
8. Provision of guarantees to and among controlling subsidiaries;
9. Commencement of the hedging business;

## NOTICE OF 2020 ANNUAL GENERAL MEETING

### SPECIAL RESOLUTIONS

10. 2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited and the summary thereof;
11. Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited; and
12. Authorisation of the Board to handle matters regarding the 2021 Restricted Share Incentive Scheme.

#### *Notes:*

- (1) A circular for the AGM and the form of proxy of the Company will be dispatched and posted in due course. Any shareholders of the Company (the “**Shareholders**”) who intend to appoint a proxy to attend the AGM should read the 2020 Annual Report of the Company which is posted on the websites of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the Company or dispatched to the Shareholders concerned. The 2020 Annual Report consists of the 2020 Report of the Board, the 2020 Report of the Board of Supervisors and the audited financial statements and the auditor’s report for the year 2020.
- (2) All votes on the resolutions at the AGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), and the results of the poll will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zmj.com](http://www.zmj.com)) in accordance with the Listing Rules.
- (3) The register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. Any H Shareholders of the Company who intend to attend the AGM but have yet to be registered are required to deposit their transfer documents together with the relevant share certificates at the Company’s share registrar for H shares, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Monday, 31 May 2021.

Upon the relevant resolution in connection with the proposal of the payment of Dividends is approved at the 2020 AGM, the Dividends will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on Monday, 12 July 2021. The register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive), during which period no transfer of Shares will be registered. Any H Shareholders of the Company who wish to be entitled to receive the final Dividends but have yet to be registered, are required to deposit their transfer documents together with the relevant share certificates at the Company’s share registrar for H shares, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Tuesday, 6 July 2021. If the profit distribution plan for the year 2020 is approved by the Shareholders, the final Dividends for H Shares will be paid on or before 30 July 2021.

- (4) Any Shareholders entitled to attend and vote at the AGM can appoint one or more proxies to attend and vote at the AGM on his/her/its behalf. A proxy need not be a Shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of Shares in respect of which each proxy is so appointed.



## NOTICE OF 2020 ANNUAL GENERAL MEETING

- (5) The Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the Shareholder or his/her/its attorney who has been duly authorised in writing. If the Shareholder is a corporation, the form of proxy shall be affixed with the corporation's seal or signed by its director, or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the Shareholder, the power of attorney or other authorisation document(s) shall be notarised. For the H Shareholders, the aforementioned documents must be lodged with the share registrar for H shares, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 9:00 a.m. on Thursday, 3 June 2021 (Hong Kong time) in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) The Shareholders shall produce their identification documents when attending the AGM.
- (7) If a proxy attends the AGM on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate Shareholder attends the AGM, such representative shall produce his/her identification document and a notarised copy of the resolution passed by the Board or other authority or other notarised copies of any authorisation documents issued by such corporate Shareholder.
- (8) Pursuant to the Administrative Measures for Equity Incentives of Listed Companies (上市公司股權激勵管理辦法) issued by the China Securities Regulatory Commission, Mr. JI Feng, an independent non-executive Director (the "INED") of the Company, as nominated by other INEDs, will serve as the soliciting party and will solicit votes on the resolutions in relation to the 2021 Restricted Share Incentive Scheme to be tabled at the Annual General Meeting (the "AGM") and the 2021 first class meeting of the holders of H shares (the "H Shareholders Class Meeting") to be convened on 4 June 2021. No solicitation is made on the other resolutions which are not related to the 2021 Restricted Share Incentive Scheme.

The INED has for the abovementioned purpose prepared and enclosed herewith the proxy forms for appointing the INED as a proxy at the AGM and the H Shareholders Class Meeting respectively (collectively, the "INED Proxy Forms"). Should you wish to appoint the INED as your proxy to vote for you and on your behalf at the AGM and/or the H Shareholders Class Meeting, please complete and return the relevant INED Proxy Form(s) to Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 24 hours prior to the AGM and/or the H Shareholders Class Meeting, i.e. 9:00 a.m. on Thursday, 3 June 2021 (Hong Kong time).

If a shareholder appoints the INED repetitively in relation to the matters under solicitation while the content of the appointment is inconsistent, the last INED Proxy Form executed by the shareholder shall be treated as valid; if it is unable to determine the timing of execution, the last INED Proxy Form received shall be treated as valid.

A shareholder may attend a meeting in person or by proxy notwithstanding the appointment of the INED as the proxy in respect of the matters under solicitation.

## NOTICE OF 2020 ANNUAL GENERAL MEETING

If an INED Proxy Form verified to be valid falls under any of the following circumstances, the INED may treat the INED Proxy Form in accordance with the following:

- (1) After appointing the INED as the proxy in relation to the voting rights for matters under solicitation, a shareholder may expressly revoke in writing the appointment of the INED as the proxy prior to the close of registration for the on-site meeting, in which case the appointment of the INED shall be treated as lapsed automatically;
  - (2) A shareholder has appointed a person other than the INED as the proxy to exercise the voting rights for matters under solicitation and to attend the meeting, and expressly revokes in writing the appointment of the INED prior to the close of registration of the on-site meeting, the appointment of the INED shall be treated as lapsed automatically;
  - (3) A shareholder shall specify the voting instruction for matters under solicitation in the submitted INED Proxy Form and shall choose either "For", "Against" or "Abstain" as appropriate. If more than one option is made or no option is indicated, the appointment of the INED shall be treated as lapsed.
- (9) The AGM is expected to last for half a day. Shareholders who attend the AGM (in person or by proxy) shall bear their own travelling, accommodation and other expenses.
- (10) Contact information of the Company:

Address: Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC  
Postal Code: 450016  
Telephone: 86-371-6789 1199  
Contact Person: Mr. Xi Zhipeng  
Facsimile: 86-371-6789 1000

By Order of the Board  
**Zhengzhou Coal Mining Machinery Group Company Limited**  
鄭州煤礦機械集團股份有限公司  
**JIAO Chengyao**  
Chairman

Zhengzhou, PRC, 5 May 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. JIA Hao, Mr. FU Zugang and Mr. WANG Xinying, the non-executive Directors are Mr. CUI Kai and Mr. YANG Dongsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.*



**Zhengzhou Coal Mining Machinery Group Company Limited**  
**鄭州煤礦機械集團股份有限公司**

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

**(Stock Code: 00564)**

**NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING OF 2021**

**NOTICE IS HEREBY GIVEN THAT** the first H Shareholders Class Meeting of 2021 (the “**Meeting**”) of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”) will be held at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 4 June 2021 for the following purposes:

**SPECIAL RESOLUTIONS**

1. 2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited and the summary thereof;
2. Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited; and
3. Authorisation of the Board to handle matters regarding the 2021 Restricted Share Incentive Scheme

*Notes:*

- (1) All votes of resolution at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), and the results of the poll will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zmj.com](http://www.zmj.com)) in accordance with the Listing Rules.
- (2) The register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of shares will be registered. Any H Shareholders of the Company who intend to attend and vote at the Meeting but have not yet registered are required to deposit the transfer documents together with the relevant share certificates at the Company's share registrar for H shares, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Monday, 31 May 2021.

## NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING OF 2021

- (3) Any Shareholders entitled to attend and vote at the Meeting can appoint one or more proxies to attend and vote at the Meeting on his/her/its behalf. A proxy need not be a Shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of shares in respect of which each proxy is so appointed.
- (4) Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the Shareholder or his/her/its attorney who has been duly authorised in writing. If the Shareholder is a corporation, the form of proxy shall be affixed with the corporation's seal or signed by its director, or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the Shareholder, the power of attorney or other authorisation document shall be notarised. For H shareholders, the aforementioned documents must be lodged with the share registrar for H shares, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 9:00 a.m. on Thursday, 3 June 2021 (Hong Kong time) in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Shareholders shall produce their identification documents when attending the Meeting.
- (6) If a proxy attends the Meeting on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate shareholder attends the Meeting, such representative shall produce his/her identification document and the notarised copy of the resolution passed by the Board of Directors or other authority or other notarised copy of any authorisation documents issued by such corporate shareholder.
- (7) Pursuant to the Administrative Measures for Equity Incentives of Listed Companies (上市公司股權激勵管理辦法) issued by the China Securities Regulatory Commission, Mr. JI Feng, an independent non-executive Director (the "INED") of the Company, as nominated by other INEDs, will serve as the soliciting party and will solicit votes on the resolutions in relation to the 2021 Restricted Share Incentive Scheme to be tabled at the Annual General Meeting (the "AGM") and the 2021 first class meeting of the holders of H shares (the "H Shareholders Class Meeting") to be convened on 4 June 2021. No solicitation is made on the other resolutions which are not related to the 2021 Restricted Share Incentive Scheme.

The INED has for the abovementioned purpose prepared and enclosed herewith the proxy forms for appointing the INED as a proxy at the AGM and the H Shareholders Class Meeting respectively (collectively, the "INED Proxy Forms"). Should you wish to appoint the INED as your proxy to vote for you and on your behalf at the AGM and/or the H Shareholders Class Meeting, please complete and return the relevant INED Proxy Form(s) to Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 24 hours prior to the AGM and/or the H Shareholders Class Meeting, i.e. 9:00 a.m. on Thursday, 3 June 2021 (Hong Kong time).

If a shareholder appoints the INED repetitively in relation to the matters under solicitation while the content of the appointment is inconsistent, the last INED Proxy Form executed by the shareholder shall be treated as valid; if it is unable to determine the timing of execution, the last INED Proxy Form received shall be treated as valid.

A shareholder may attend a meeting in person or by proxy notwithstanding the appointment of the INED as the proxy in respect of the matters under solicitation.

## NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING OF 2021

If an INED Proxy Form verified to be valid falls under any of the following circumstances, the INED may treat the INED Proxy Form in accordance with the following:

- (1) After appointing the INED as the proxy in relation to the voting rights for matters under solicitation, a shareholder may expressly revoke in writing the appointment of the INED as the proxy prior to the close of registration for the on-site meeting, in which case the appointment of the INED shall be treated as lapsed automatically;
  - (2) A shareholder has appointed a person other than the INED as the proxy to exercise the voting rights for matters under solicitation and to attend the meeting, and expressly revokes in writing the appointment of the INED prior to the close of registration of the on-site meeting, the appointment of the INED shall be treated as lapsed automatically;
  - (3) A shareholder shall specify the voting instruction for matters under solicitation in the submitted INED Proxy Form and shall choose either "For", "Against" or "Abstain" as appropriate. If more than one option is made or no option is indicated, the appointment of the INED shall be treated as lapsed.
- (8) The Meeting is expected to last for half a day. Shareholders who attend the Meeting (in person or by proxy) shall bear their own travelling, accommodation and other expenses.
- (9) Contact information of the Company:

Address: Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, The PRC  
Postal Code: 450016  
Telephone: 86-371-6789 1199  
Contact Person: Mr. Xi Zhipeng  
Facsimile: 86-371-6789 1000

By Order of the Board  
**Zhengzhou Coal Mining Machinery Group Company Limited**  
鄭州煤礦機械集團股份有限公司  
**JIAO Chengyao**  
Chairman

Zhengzhou, PRC, 5 May 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. JIA Hao, Mr. FU Zugang and Mr. WANG Xinying, the non-executive Directors are Mr. CUI Kai and Mr. YANG Dongsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.*

As independent non-executive Directors of Zhengzhou Coal Mining Machinery Group Company Limited (the “Company”), we strictly complied with the requirements of relevant laws, regulations and regulatory documents such as the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Guidelines for Introducing Independent Directors System to Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), and the Provisions on Strengthening the Protection of the Interests of Public Shareholders (《關於加強社會公眾股股東權益保護的若干規定》), as well as the Articles of Association and the Working System of Independent Directors of the Company (《公司獨立董事工作制度》). We performed our duties conscientiously, diligently and prudently, attended relevant meetings proactively, considered each resolution carefully, and expressed independent opinions on material matters of the Company. We fully played our role as independent non-executive Directors and members of all professional committees, effectively ensured the regulated operation of the Company, and protected the legitimate interests of the Company and its Shareholders, especially minority Shareholders. We hereby submit our report on our performance of duties in 2020:

## **I. BASIC INFORMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

### **(I) Changes in Independent Non-executive Directors**

During the reporting period, Ms. Liu Yao (劉堯), the former independent non-executive Director of the Company, has been serving as the independent non-executive Director of the Company for six consecutive years since June 2014. According to the relevant requirements including the Guidelines for Introducing Independent Directors System to Listed Companies, the consecutive term of office of independent non-executive Directors of listed companies shall not exceed six years. Ms. Liu Yao has therefore tendered her resignation as an independent non-executive Director and a member of the relevant special committees under the Board of the Company with effect from 4 June 2020.

### **(II) Basic Information of Current Independent Non-executive Directors**

Li Xudong (李旭冬), male, was born in November 1970, is a senior accountant, a Chinese certified public accountant, a Chinese certified assets valuer and a Chinese certified tax agent. Since 1996, he commenced his CPA business and has focused on the partial and whole-scale listing of corporate assets, asset restructuring, and IPO audit and consulting business for listed companies. He was a member of the 13th, 14th and 15th sessions of the review committee for main board issue of CSRC. He is currently a managing partner (執行合夥人) of Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)). Since February 2015, he has been an independent non-executive Director of the Company.

Jiang Hua (江華), male, was born in June 1963, was among the first batch of lawyers specialised in securities in China. In 1993, he commenced his lawyering business. He served as a partner of Beijing Zhong Yin Law Firm (北京市中銀律師事務所), Beijing Dentons Law Firm (北京市大成律師事務所), and Beijing Tongwei Law Firm (北京市同維律師事務所). Since 2003, he has been a partner of Beijing Kangda Law Firm (北京市康達律師事務所). In 2012, he was hired by the Law School and the Lawyer College of Renmin University of China as a part-time instructor for graduate students under the Juris Master program. Since February 2015, he has been an independent non-executive Director of the Company.

Cheng Jinglei (程驚雷), male, was born in September 1967. He is a CPC member and a professor-level senior engineer with a master's degree in business administration. Mr. Cheng served for SAIC VOLKSWAGEN as an engineer in logistics and industrial engineering, head of the planning and logistics department, head of the production planning department and head of the product engineering department, and served at SAIC Motor as the general manager of its technology and quality department, president of the engineering academy, as well as general manager of the strategy and business planning department and chief engineer. Mr. Cheng was also the chairman of SAIC Silicon Valley Venture Capital (上汽矽谷風險投資公司), Dalian Sunrise Power Company (Fuel Cell) (大連新源公司(燃料電池)) and DIAS Automotive Electronic Systems Co., Ltd. (聯創汽車電子有限公司), a director of SAIC VOLKSWAGEN and SAIC GM, the vice president of China Society of Automotive Engineers, and the president of Shanghai Society of Automotive Engineers. From June 2018 to April 2020, he served as the partner and president of AGRC. He has been the founder and chairman of Shanghai Shengshi Management Consulting Co., Ltd. (上海升軾管理諮詢有限公司) since January 2020. Since October 2019, he has been an independent non-executive Director of the Company.

As the independent non-executive Directors of the Company have no connected relationship with the Company, their independence is not affected.

**II. PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS****(I) Attendance at Meetings***1. Attendance of the independent non-executive Directors at Shareholders' Meetings and Board meetings*

The Company convened nine Board meetings and three Shareholders' Meetings (including two Shareholders class meetings) in the year 2020. The attendance of the independent non-executive Directors at the Board meetings and their presence at the Shareholders' Meetings are set out below:

Attendance at the Board meetings during the reporting period:

Name of Director	Position	Number of meetings to attend	Number of meetings attended in person	Number of meetings attended by proxy	Number of absence	Inability to attend two consecutive meetings in person
LIU Yao	Independent non-executive Director	4	4	0	0	No
LI Xudong	Independent non-executive Director	9	9	0	0	No
JIANG Hua	Independent non-executive Director	9	9	0	0	No
CHENG Jinglei	Independent non-executive Director	9	9	0	0	No

Attendance at Shareholders' Meetings during the reporting period:

Name of Director	Position	Number of meetings to attend	Number of meetings attended	Inability to attend meetings for two consecutive times
LIU Yao	Independent non-executive Director	0	0	No
LI Xudong	Independent non-executive Director	3	3	No
JIANG Hua	Independent non-executive Director	3	3	No
CHENG Jinglei	Independent non-executive Director	3	3	No

All independent non-executive Directors attended the Board meetings of the Company on time and none of them failed to attend the Board meetings and the Shareholders' Meetings in person for two consecutive times.



2. *Attendance of independent non-executive Directors at meetings of special committees*

Under the fourth session of the Board of the Company are four special committees, namely, the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Assessment Committee. During the reporting period, the Company convened four meetings of the Audit Committee and one meeting of the Remuneration and Assessment Committee. The attendance at those meetings by independent non-executive Directors is set out below:

Name of independent non-executive Director	Audit Committee			Remuneration and Assessment Committee		
	Number of meetings to attend	Number of meetings attended	Number of absence	Number of meetings to attend	Number of meetings attended	Number of absence
LIU Yao	2	2	0	1	1	0
LI Xudong	4	4	0	1	1	0
JIANG Hua	4	4	0	1	1	0
CHENG Jinglei	2	2	0	-	-	-

**(II) Poll Results of the Meetings**

During the reporting period, the independent non-executive Directors took an active part in the Shareholders' Meetings, the Board meetings and special committee meetings of the Company. They reviewed the information of the meetings, deliberated on every resolution carefully, actively participated in discussions and raised reasonable suggestions, which played a positive role in improving the decision-making of the Board meetings and committee meetings of the Company. Upon adequate communication and discussion, the independent non-executive Directors voted for all the matters considered at the Board meetings and committee meetings, and all the resolutions thereof were approved unanimously with no objection, opposition or abstention.

**(III) Expression of Independent Opinions**

Pursuant to the Articles of Association, the Rules of Procedure of the Board of Directors and the Working System of Independent Directors, the independent non-executive Directors performed their duties as independent non-executive Directors in an honest, conscientious and independent fashion by carefully reviewing the proposals submitted to the Board and special committees prior to the meetings, actively participated in relevant meetings, expressed independent opinions on the material matters of the Company and protected the legitimate interests of the Company and its Shareholders, especially minority Shareholders.

The publication of prior approval opinions from independent non-executive Directors is set out below:

<b>No.</b>	<b>Date</b>	<b>Matters to which the prior approval opinions from independent non-executive Directors relate</b>
1	27 March 2020	The Proposal on the Appointment of External Audit Institution and Internal Control Audit Institution for 2020
		The Proposal on the Daily Connected Transactions of the Company in 2019 and the Expected Daily Connected Transactions of the Company in 2020

The particulars of the publication of independent opinions are set out below:

<b>No.</b>	<b>Date</b>	<b>Matters to which the independent opinions relate</b>
1	9 March 2020	The Proposal on the Provision of Guarantees for the Loans of the Subsidiaries
2	27 March 2020	The Proposal on the 2019 Assurance Report on the Deposit and Use of Proceeds of the Company
		The Proposal on the 2019 Assessment Report on Internal Control of the Company
		The Proposal on the 2019 Audit Report on Internal Control of the Company
		The Proposal on the 2019 Profit Distribution Plan
		The Proposal on Confirming the Provision Amount of 2019 Super Profit Incentive Payment
		The Proposal on the Appointment of External Audit Institution and Internal Control Audit Institution for 2020

No.	Date	Matters to which the independent opinions relate
		The Proposal on Provision for Goodwill Impairment Loss and Capitalised Development Expenditure Impairment Loss
		The Proposal on the Daily Connected Transactions of the Company in 2019 and the Expected Daily Connected Transactions of the Company in 2020
		The Proposal on the Provision of Repurchase Guarantee to Customers under the Finance Lease Business
		The Proposal on the Provision of Guarantees to and among Controlling Subsidiaries
		The Proposal on the Use of Idle Funds to Invest in Financial Wealth Management Products
		The Proposal on the Commencement of the Hedging Business
		Special Explanations and Independent Opinions on External Guarantees
3	31 July 2020	The Proposal on Adjusting Exercise Price of 2019 Share Option Incentive Scheme of the Company

**III. KEY CONCERNS TO THE INDEPENDENT NON-EXECUTIVE DIRECTORS IN PERFORMING DUTIES DURING THE YEAR**

In 2020, we performed our duties in a careful, conscientious and prudent manner pursuant to the Working System of Independent Directors, participated in Board meetings and committee meetings of the Company and made independent and clear judgments on the legality and compliance of relevant matters prior to the Company's decision-making, the details of which are set out as follows:

**(I) Connected Transactions**

In strict compliance with the requirements of such regulations as the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Decision-making System of Connected Transactions (《關聯交易決策制度》) of the Company, we have made judgments on the connected transactions undertaken by the Company based on objective standards, and in respect of necessity, objectiveness, benefits to the Company, fairness and reasonableness of pricing, and prejudice to the interests of the Company and its Shareholders, and conducted review according to relevant procedures. During the reporting period, we expressed independent opinions on the resolutions regarding connected transactions of the Company, and our unanimous view is that these matters were in strict compliance with the requirements of relevant laws as well as legal and valid procedures, with no prejudice to the interests of the Company and all Shareholders.

**(II) External Guarantees and Capital Utilisation**

We made judgments on and reviewed external guarantees and capital utilisation of the Company in strict compliance with such systems and regulations as the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Articles of Association. During the reporting period, the Company was not found to have breached regulations in its provision of guarantees; nor did it provide any guarantee to the controlling Shareholders and their related parties; and in respect of the external guarantees, the Company performed relevant decision-making procedures according to the requirements of relevant laws and regulations and the Articles of Association. The information disclosure is adequate and complete without overdue external guarantee.

We considered that the Company has strictly carried out relevant laws and regulations, the Articles of Association and other relevant requirements, and also strictly controlled the risks relating to external guarantees, and did not jeopardise the interest of the Company and all Shareholders, especially minority Shareholders.

**(III) Use of Proceeds**

We reviewed the use of proceeds by the Company. The Company has established a proceeds management system, with proper procedures observed when the capital is being utilised. The actual use of proceeds in investment projects was consistent with its committed or lawful change of proceeds in investment projects. No breach of regulations was found in connection with the raising of proceeds.

**(IV) Appointment of Auditors**

The Proposal on the Appointment of External Audit Institution and Internal Control Audit Institution for 2020 was considered and approved at the twenty-first meeting of the fourth session of the Board of the Company and 2019 annual general meeting successively. BDO China Shu Lun Pan Certified Public Accountants LLP was re-appointed as the financial auditor of its domestic A Shares for the year 2020 and internal control audit institution, and PricewaterhouseCoopers was re-appointed as the financial auditor of its H Shares for the year 2020, in each case being in accordance with the requirements of the Company Law and the Articles of Association. We considered that the appointment of the accounting firms as mentioned above could satisfy the auditing requirements of the Company, and the decision-making procedures for such appointments complied with the requirements of laws and regulations and the Articles of Association, without prejudice to the interests of the Company and Shareholders.

**(V) Cash Dividends and Other Investor Returns**

The proposal of 2019 profit distribution plan of the Company was considered and approved at its 2019 annual general meeting convened on 15 June 2020. Based on the total share capital of the Company as at the share registration date for the 2019 profit distribution, the Company paid a cash dividend of RMB1.85 (tax inclusive) to all the registered Shareholders for every 10 shares held, with the actual distribution of cash dividend amounting to approximately RMB321 million (tax inclusive), representing 30.81% of the net profit attributable to the Shareholders of listed company in 2019. The implementation of the above profit distribution plan was completed during the reporting period. We considered that the above distribution by the Company was in compliance with the requirements of the Company Law, the Articles of Association and other relevant laws and regulations.

**(VI) Performance of Commitment by the Company and Shareholders**

We are highly attentive to the commitment performed by the Company and the Shareholders, so as to safeguard the Company's interests as a whole. We paid particular attention to the protection of the legitimate interests of minority Shareholders. During the reporting period, the Company and the Shareholders strictly complied with the relevant provisions of laws and regulations. There was no breach of any relevant commitments.

**(VII) Execution of Information Disclosure**

During the reporting period, the Company strictly complied with the requirements of domestic and foreign laws and regulations on information disclosure, with true, accurate, complete and fair disclosure of the material information of the Company to ensure that investors are well-informed of the significant events of the Company, their interests are protected and the transparency of the Company is enhanced. The Company's personnel in charge of information disclosure has made proper disclosures according to the requirements of laws and regulations, which enabled the Company to perform its information disclosure obligations in a timely manner regarding material issues.

**(VIII) Execution of Internal Control**

During the reporting period, we carefully verified the internal control system of the Company and reviewed its 2020 Self-Assessment Report on Internal Control (《2020年度内部控制自我评价报告》). We considered that the Company had established a robust internal control system with effective execution. The 2020 Self-Assessment Report on Internal Control of the Company provided an objective and true reflection of the development and operation of the internal control system of the Company.

**(IX) Operation of the Board and its Special Committees**

Under the Board of the Company are four special committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Assessment Committee. During the reporting period, the Board and its special committees carried out their work according to laws and regulations, the Articles of Association and their respective terms of reference. Each of the special committees has provided effective and professional advice on the significant matters under discussion by giving full play to the expertise of independent non-executive Directors, which had facilitated the Board's scientific decision-making.

**IV. OVERALL EVALUATION AND RECOMMENDATIONS**

During our term of office in 2020, we upheld the spirit of integrity and diligence to perform our duties as independent non-executive Directors in an objective, fair and independent manner. We insisted on acquiring and securing relevant information in advance and made use of our expertise and experience to form independent, objective and reasonable opinions and recommendations on the production, operation and relevant matters, and protected the legitimate interests of all our Shareholders, particularly minority Shareholders. Our independent performance of duties was not affected by the substantial Shareholders, the de facto controller and other companies or individuals that are interested parties of the Company.

In 2021, we will communicate with the proposed independent non-executive Directors for the fifth session of the Board of the Company to ensure that the Company's independent non-executive Directors will continue to perform their duties conscientiously and keep improving their performance in accordance with the requirements of laws and regulations, the Articles of Association and relevant governance rules, so as to facilitate the proper operation and healthy development of the Company.

It is hereby reported.

**Zhengzhou Coal Mining Machinery Group Company Limited**

鄭州煤礦機械集團股份有限公司

*Independent Non-executive Directors:* **LI Xudong    JIANG Hua    CHENG Jinglei**

26 March 2021

**Stock abbreviation: ZMJ**

**Stock code: 601717**

**2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT) OF  
ZHENGZHOU COAL MINING MACHINERY GROUP COMPANY LIMITED**



**April 2021**



## **STATEMENT**

The Company and all its Directors and Supervisors undertake that the Scheme and its summary do not contain false records, misleading statements or material omissions, and bear individual and joint legal liabilities for its truthfulness, accuracy and completeness.

**SPECIAL REMINDER**

1. The Scheme is prepared pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures for Equity Incentives of Listed Companies, other relevant laws and regulations, and the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited.

2. No circumstance exists in which the Company cannot provide equity incentives under Article 7 of the Administrative Measures for Equity Incentives of Listed Companies.

3. No circumstance exists in which the Participants of the Scheme cannot serve as Participants under Article 8 of the Administrative Measures for Equity Incentives of Listed Companies.

4. The number of the Restricted Shares proposed to be granted under the Scheme is 42,300,000, amounting to 2.442% of the total share capital of the Company as at the date of announcement of the Draft Scheme. The grant is a one-off grant without reserved interests. With respect to the Scheme, there will be no further increase in the number of the Restricted Shares.

The total number of Shares of the Company within the validity periods of all equity incentive schemes shall in aggregate not exceed 10% of the Company's total share capital. The total number of Shares of the Company granted to any Participant under the Scheme within the validity periods of all equity incentive schemes shall in aggregate not exceed 1% of the Company's total share capital.

5. The Restricted Shares proposed to be granted under the Scheme shall come from the ordinary A Shares in RMB to be directly issued by the Company to the Participants. The Grant Price of the Restricted Shares is RMB5.88 per Share.

The Grant Price shall not be less than the nominal value of the A Shares of the Company and the higher of the following items:

(1) 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the announcement date of the Draft Scheme (rounded up to the nearest two decimal places), which is RMB5.81 per Share;

(2) 50% of the average trading price of the Company's A Shares for 20 trading days immediately preceding the announcement date of the Draft Scheme (rounded up to the nearest two decimal places), which is RMB5.88 per Share.

6. During the period from the announcement date of the Scheme to the completion of the grant registration of the Restricted Shares by the Participants, in the event of issues such as capitalisation of capital reserves, bonus issue, share subdivision or share consolidation, rights issue and dividend distribution, the Grant Price and/or the number of the Restricted Shares granted shall be adjusted under the Scheme.

7. There are a total of 186 Participants under the Scheme, including the Directors, senior management, core management and core personnel of the Company (including its controlling subsidiaries), excluding independent Directors, Supervisors and any Shareholders or actual controllers individually or jointly holding more than 5% of the Shares of the Company and their respective spouses, parents and children).

8. The Validity Period of the Scheme shall be no more than 48 months from the date of the completion of the grant registration of the Restricted Shares to the date when all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled.

9. The Restricted Shares granted under the Scheme will be unlocked in three tranches over the next 36 months after the expiry of 12 months from the Date of Grant of the incentive scheme. During the Unlocking Period, the Company shall handle the unlocking issues for the Participants that satisfy the Unlocking Conditions, whereas the Restricted Shares held by the Participants that do not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

The unlocking arrangements of the Restricted Shares granted are set out in the table below:

<b>Arrangement of Unlocking Period</b>	<b>Unlocking duration</b>	<b>Unlocking percentage</b>
First Unlocking Period	Commencing from the first trading day upon the expiry of 12 months from the Date of Grant to the last trading day upon the expiry of 24 months from the Date of Grant	40%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the Date of Grant to the last trading day upon the expiry of 36 months from the Date of Grant	30%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the Date of Grant to the last trading day upon the expiry of 48 months from the Date of Grant	30%

10. On the premise of passing performance evaluation at both the Company and the Participant's levels, the Participants may proceed with unlocking in the proportion as agreed under the Scheme.

Performance evaluation shall take place once for each of the three accounting years of the Unlocking Period under the Scheme, to meet performance evaluation targets as one of the Unlocking Conditions for the Participants.

The annual performance evaluation targets for the Restricted Shares under the Scheme are listed in the table below:

Unlocking Period	Performance Indicator
First Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2021 shall be no less than 30% as compared with that for 2020
Second Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2022 shall be no less than 60% as compared with that for 2020
Third Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2023 shall be no less than 90% as compared with that for 2020

In addition to the above financial indicators, the Company will evaluate the individual performance of the Participants annually based on the Performance Evaluation Measures approved at the Shareholders' Meeting and the Company's relevant performance evaluation measures, and part of the Restricted Shares could be unlocked for the current period. Reference will be made to the Participant's performance evaluation result for the previous year as the prerequisite. The Participant shall in principle obtain a "Pass" or above in the performance evaluation.

Evaluation Result	Merit (80 ≤ marks ≤ 100)	Pass (60 ≤ marks < 80)	Fail (marks < 60)
Coefficient of Unlockable Ratio	1.0	0.8	0

Individual unlockable limit for the current year = individual planned unlocking limit for the current year × individual coefficient of unlockable ratio for the current year

11. The Participants shall raise their own capital to subscribe for the Restricted Shares. The Company undertakes not to provide loans, guarantee for loans and financial assistance in any other form, to the Participants in acquiring relevant Restricted Shares under the Scheme.

12. The Participants undertake that, in case of disqualification for the grant of interests or the arrangement on the exercise of interests due to false record, misleading statement or material omission in the Company's information disclosure documents, all the Participants shall, after the confirmation of such false record, misleading statement or material omission in relevant information disclosure documents, return all their gains from the Scheme to the Company. The Board shall recover such gains by the Participants according to the relevant arrangements under the Scheme.

13. The Scheme is subject to consideration and approval at the Shareholders' Meetings (including Class Meetings, the same applies to the following text) of the Company. For voting on the Scheme at the Shareholders' Meeting of the Company, both on-site and online voting shall be made available. The independent Directors will solicit entrusted voting rights from all the Shareholders regarding the consideration of the Scheme at the Shareholders' Meeting.

14. The Company shall convene a Board meeting on the grant to the Participants according to relevant regulations and complete procedures such as registration and announcement, within 60 days upon the consideration and approval of the Scheme at the Shareholders' Meeting of the Company and the fulfilment of conditions of grant. The Scheme shall be terminated if the Company fails to complete the above-mentioned procedures within such 60 days (excluding the period in which the listed company cannot grant the Restricted Shares).

15. Implementation of the Scheme will not result in the incompliance of the shareholding structure of the Company with the listing conditions.

## CONTENTS

CHAPTER I	DEFINITIONS . . . . .	69
CHAPTER II	PURPOSE OF THE SCHEME . . . . .	71
CHAPTER III	MANAGEMENT BODIES OF THE SCHEME . . . . .	72
CHAPTER IV	BASIS FOR DETERMINING AND SCOPE OF THE PARTICIPANTS . . . . .	73
CHAPTER V	SOURCE, NUMBER AND DISTRIBUTION OF THE RESTRICTED SHARES . . . . .	75
CHAPTER VI	VALIDITY PERIOD, DATE OF GRANT, LOCK-UP PERIOD, UNLOCKING ARRANGEMENT AND BLACKOUT PERIOD OF THE SCHEME . . . . .	78
CHAPTER VII	GRANT PRICE OF THE RESTRICTED SHARES AND MEASURES FOR DETERMINING THE GRANT PRICE . . . . .	81
CHAPTER VIII	GRANT OF RESTRICTED SHARES AND UNLOCKING CONDITIONS . . . . .	82
CHAPTER IX	METHODS AND PROCEDURES FOR ADJUSTMENT TO THE SCHEME . . . . .	86
CHAPTER X	ACCOUNTING METHODS FOR THE RESTRICTED SHARES . . .	89
CHAPTER XI	PROCEDURES OF IMPLEMENTATION, GRANT AND UNLOCKING OF THE RESTRICTED SHARE INCENTIVE SCHEME . . . . .	91
CHAPTER XII	RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS . . . . .	94
CHAPTER XIII	MECHANISM FOR SPECIFIC OCCURRENCES TO THE COMPANY AND THE PARTICIPANTS . . . . .	96
CHAPTER XIV	PRINCIPLES OF REPURCHASE AND CANCELLATION OF RESTRICTED SHARES . . . . .	99
CHAPTER XV	DISPUTE RESOLUTION BETWEEN THE COMPANY AND THE PARTICIPANTS . . . . .	100
CHAPTER XVI	SUPPLEMENTARY PROVISIONS . . . . .	101

## CHAPTER I    DEFINITIONS

*The following expressions shall have the following meanings herein, unless otherwise specified:*

ZMJ/Company	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司)
Scheme	the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited
Draft Scheme	the 2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited
Restricted Shares	a certain number of Company's Shares granted by the Company to the Participants based on the Scheme and the conditions thereunder, imposed with a Lock-up Period and unlockable for distribution upon fulfilment of the Unlocking Conditions under the Scheme
Participant(s)	the personnel granted the Restricted Shares under the Scheme
Date of Grant	the date when the Company grants the Restricted Shares to the Participants, which must be a trading day
Grant Price	the price per Restricted Share granted to the Participants by the Company
Validity Period	the period between the date of completing the registration of the Restricted Shares granted to the Participants by the Company and the date when the Unlocking Period of the Restricted Shares expires or when the repurchase and cancellation is completed, which shall not exceed 48 months
Lock-up Period	the period in which the Restricted Shares granted to the Participants under the Scheme are prohibited from transfer, use as guarantee or debt repayment

Unlocking Period	the period in which the Restricted Shares held by the Participants become unlockable and can be circulated in the market upon meeting the Unlocking Conditions stipulated under the Scheme
Unlocking Date	the date when the Restricted Shares held by the Participants become unlockable upon meeting the Unlocking Conditions stipulated under the Scheme
Unlocking Conditions	the conditions to be met for unlocking the Restricted Shares received by the Participants under the Scheme
Performance Evaluation Measures	the Administrative Measures for Performance Evaluation under the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Administrative Measures	the Administrative Measures for Equity Incentives of Listed Companies
Articles of Association	the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited
Remuneration and Assessment Committee	the Remuneration and Assessment Committee of the Board of the Company
CSRC	China Securities Regulatory Commission
stock exchange	Shanghai Stock Exchange
CSDC	the Shanghai Branch of China Securities Depository and Clearing Corporation Limited
RMB	Renminbi



## **CHAPTER II    PURPOSE OF THE SCHEME**

To further improve its corporate governance structure and incentive mechanism, enhance the sense of responsibility and mission of its senior management for achieving sustainable and sound development and ensure the realisation of its development goals, the Company has prepared the Scheme pursuant to relevant laws, regulations and administrative and regulatory documents such as the Company Law, the Securities Law and the Administrative Measures as well as the relevant provisions of the Articles of Association.

The Scheme, prepared by the Remuneration and Assessment Committee of the Board of the Company, has been submitted to the Board of the Company for consideration and approval, and will take effect upon approval at the Shareholders' Meeting of the Company.

The Scheme is prepared in the following basic principles:

1. Fairness and legitimacy: The Scheme shall be fair, just and open, and in line with laws, regulations, administrative and regulatory documents and the relevant provisions of the Articles of Association.

2. Increment oriented: The number and proportion of the Restricted Shares shall be determined reasonably on the premise of performance increment for incentives.

3. Effective incentives: The Unlocking Conditions of the Restricted Shares are pegged to the Company's attainment of performance indicators, and the equity incentives granted to individuals are pegged to the value contribution of employees and the results of individual assessment.

4. Long-term service: Long-term service is encouraged amongst core talents to realise long-term stability of the Company's core talents and operational performance.

5. Interest alignment: The interests of employees, the Company and the Shareholders are closely connected and highly aligned, with risks borne by all.

6. Enhanced supervision: The domestic and foreign accounting firms engaged by the Company shall audit the performance and receive supervision from securities regulators, the Shareholders and the Board of Supervisors in accordance with laws and regulations.

## **CHAPTER III    MANAGEMENT BODIES OF THE SCHEME**

### **I.     SHAREHOLDERS' MEETING**

As the supreme authority of the Company, the Shareholders' Meeting is responsible for considering and approving the implementation, amendment and termination of the Scheme. The Shareholders' Meeting may, within its scope of authority, authorise the Board to handle some matters in connection with the Scheme.

### **II.    BOARD OF DIRECTORS**

The Board of Directors serves as the executive management body of the Scheme, responsible for its implementation. The Remuneration and Assessment Committee under the Board of Directors is responsible for drafting and amending the Scheme and submitting it to the Board of Directors for consideration. Upon its consideration and approval of the Scheme, the Board of Directors will submit it to the Shareholders' Meeting for consideration. The Board of Directors may handle other relevant matters of the Scheme within the scope of authorisation from the Shareholders' Meeting.

### **III.   BOARD OF SUPERVISORS**

The Board of Supervisors of the Company is the supervisory body of the Scheme, responsible for verifying the list of Participants and overseeing whether the implementation of the Scheme is in compliance with the relevant laws, administrative regulations, departmental rules and the business rules of the stock exchange.

### **IV.   INDEPENDENT DIRECTORS**

Independent Directors shall issue an independent opinion as to whether the Scheme is beneficial to the sustainable development of the Company or is detrimental to the interests of the Company and the Shareholders as a whole, and solicit entrusted voting rights from all the Shareholders in respect of the Scheme.

If the Company proposes to amend the Equity Incentive Scheme prior to its consideration and approval at the Shareholders' Meeting, the independent Directors and the Board of Supervisors shall issue an independent opinion as to whether the amended Scheme is beneficial to the sustainable development of the Company or is detrimental to the interests of the Company and the Shareholders as a whole.

Prior to the grant of interests to the Participants by the Company, the independent Directors and the Board of Supervisors shall issue a clear opinion regarding whether the conditions for granting interests to the Participants set out in the Equity Incentive Scheme have been fulfilled. Given any discrepancy between the grant of interests to the Participants by the Company and the arrangement under the Scheme, the independent Directors and the Board of Supervisors (given a change of the Participants) shall issue a clear opinion thereon at the same time.

Preceding the exercise of interests by the Participants, the independent Directors and the Board of Supervisors shall issue a clear opinion as to whether the conditions for exercising the interests by the Participants set out in the Equity Incentive Scheme have been fulfilled.

## **CHAPTER IV    BASIS FOR DETERMINING AND SCOPE OF THE PARTICIPANTS**

### **I.    BASIS FOR DETERMINING THE PARTICIPANTS**

#### **1.    Legal basis for determining the Participants**

The Participants of the Scheme are determined in accordance with relevant laws, regulations and administrative and regulatory documents such as the Company Law, the Securities Law, the Administrative Measures as well as the relevant provisions of the Articles of Association, taking into account the actual situation of the Company.

#### **2.    Basis for determining the positions of the Participants**

The Participants of the Scheme comprise the Directors, senior management, core management and core personnel of the listed company (including the core personnel for research and development, sales and management), excluding independent Directors and Supervisors.

### **II.    SCOPE OF THE PARTICIPANTS**

There are 186 Participants involved in the Scheme in total, the coverage of which includes:

1. Directors and senior management of the Company;

2. Core management and core personnel of the Company's headquarters and relevant business segments (including core personnel for research and development, sales and management).

In respect of the abovementioned Participants, any such Directors and senior management must have been elected at the Shareholders' Meeting of the Company or appointed by the Board of the Company. The Participants exclude independent Directors, Supervisors and any Shareholders or actual controllers individually or jointly holding more than 5% of the Shares of the Company and their respective spouses, parents and children. All the Participants shall be employed by and have entered into labour or employment contracts with the Company or its subsidiaries upon the grant of the Restricted Shares and during the performance evaluation period of the Scheme.

A person shall not qualify as a Participant of the Scheme under any of the following circumstances:

- (1) he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months;
- (2) he/she has been declared an inappropriate candidate by CSRC and its local bureaus in the past 12 months;

- (3) he/she has been imposed with administrative penalties or prohibited from market entry by CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5) participation in the equity incentives of listed companies is prohibited by laws and regulations;
- (6) other circumstances as determined by CSRC.

### **III. VERIFICATION OF THE PARTICIPANTS**

(1) After the Scheme is considered and approved by the Board, the Company shall publish the names and positions of the Participants internally for a period of no less than 10 days.

(2) The Company shall carry out self-inquiry on the trading of Shares and their derivatives of the Company by insiders during the six-month period prior to the announcement of the Draft Scheme, to examine whether the behaviour of insider trading exists. Those who trade the Shares of the Company with inside information shall not qualify as the Participants, except for circumstances that do not fall within insider trading under laws, administrative regulations and relevant judicial interpretations. Those who leak inside information which results in insider trading shall not qualify as the Participants.

(3) The Board of Supervisors of the Company shall review the list of Participants, thoroughly solicit public opinion, and disclose its explanation on the review and release of the list of the Participants 5 days before the Scheme is considered at the Shareholders' Meeting of the Company. The list of the Participants adjusted by the Board of the Company shall also be verified by the Board of Supervisors of the Company.

**CHAPTER V SOURCE, NUMBER AND DISTRIBUTION OF THE RESTRICTED SHARES****I. SOURCE OF THE RESTRICTED SHARES**

The Shares of the Scheme shall come from the ordinary A Shares in RMB to be directly issued by the listed company to the Participants.

**II. NUMBER OF UNDERLYING SHARES UNDER THE SCHEME**

The number of the Restricted Shares proposed to be granted to the Participants under the Scheme is 42,300,000, amounting to 2.442% of the total share capital of the Company as at the date of announcement of the Scheme. The grant is a one-off grant without reserved interests. With respect to the Scheme, there will be no further increase in the number of the Restricted Shares.

The total number of Shares of the Company granted to any Participant under the Scheme within the validity periods of all equity incentive schemes of the Company shall in aggregate not exceed 1% of the Company's total share capital and 1% of the total issued A Share capital at the date on which the Scheme is considered and approved at the Shareholders' Meeting. The total number of A Shares to be granted within the validity periods of all equity incentive schemes of the Company shall not exceed 10% of the Company's total share capital and the total issued A Share capital of the Company at the date on which the Scheme is considered and approved at the Shareholders' Meeting.

**III. DISTRIBUTION OF THE RESTRICTED SHARES GRANTED UNDER THE SCHEME**

Below sets out the distribution of the Restricted Shares granted under the Scheme among the Participants:

Name	Position(s)	Number of Restricted Shares granted (0'000)	Percentage of	Percentage of
			the Number of Restricted Shares under this Grant	Total Share Capital of the Company as at the Latest Practicable Date
JIAO Chengyao	Chairman	300	7.09%	0.17%
XIANG Jiayu	Vice Chairman	200	4.73%	0.12%
JIA Hao	Director and General Manager	240	5.67%	0.14%
FU Zugang	Director	200	4.73%	0.12%

<b>ANNEX B</b>	<b>2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)</b>
----------------	---

Name	Position(s)	Number of Restricted Shares granted (0'000)	Percentage of the Number of Restricted Shares under this Grant	Percentage of Total Share Capital of the Company as at the Latest Practicable Date
FU Qi	Deputy General Manager	70	1.65%	0.04%
ZHANG Haibin	Secretary to the Board	70	1.65%	0.04%
HUANG Hua	Chief Financial Officer	70	1.65%	0.04%
LI Weiping	Deputy General Manager	70	1.65%	0.04%
GUO Haofeng	Director of the subsidiaries	60	1.42%	0.03%
WANG Yongqiang	Director of the subsidiaries	60	1.42%	0.03%
YANG Mingjie	Director of the subsidiaries	40	0.95%	0.02%
ZHANG Jinghe	Chief executive of the subsidiaries	30	0.71%	0.02%
LUO Kaicheng	Director and chief executive of the subsidiaries	40	0.95%	0.02%
LI Shusheng	Director and chief executive of the subsidiaries	20	0.47%	0.01%
GAN Wei	Supervisor of the subsidiaries	20	0.47%	0.01%
NI Wei	Supervisor of the subsidiaries	80	1.89%	0.05%

<b>ANNEX B</b>	<b>2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)</b>
----------------	---

Name	Position(s)	Number of Restricted Shares granted (0'000)	Percentage of the Number of Restricted Shares under this Grant	Percentage of Total Share Capital of the Company as at the Latest Practicable Date
SONG Qianru	Director of the subsidiaries	30	0.71%	0.02%
LI Kaishun	Director of the subsidiaries	50	1.18%	0.03%
LIU Qianxi	Chief executive of the subsidiaries	30	0.71%	0.02%
TIAN Guozhu	Director and chief executive of the subsidiaries	30	0.71%	0.02%
Core Management and Core Personnel of the Company's Headquarters and Relevant Business Segments (166 people in total)		2,520	59.57%	1.45%
<b>Total</b>		<b>4,230</b>	<b>100.00%</b>	<b>2.44%</b>

*Notes:*

1. Some figures shown as totals in the above table may not be an arithmetic sum of the figures preceding them due to rounding adjustments. The same applies to the following text.
2. A detailed list of the Participants was disclosed by the Company in the Participants List of the 2021 Restricted Share Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited on the website of the stock exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 19 April 2021.
3. If the Participants do not comply with the conditions specified in the Administrative Measures during the implementation of the Scheme, their rights of participating in the Scheme shall be terminated and their Restricted Shares granted and locked up shall be repurchased and cancelled by the Company.
4. The people whose names are set out in the above table are connected persons of the Company. Apart from them, no other Participants are such connected persons of the Company.

**CHAPTER VI   VALIDITY PERIOD, DATE OF GRANT, LOCK-UP PERIOD,  
UNLOCKING ARRANGEMENT AND BLACKOUT PERIOD OF THE SCHEME**

**I.     VALIDITY PERIOD OF THE SCHEME**

The Validity Period of the Scheme shall be no more than 48 months from the date of the completion of the grant registration of the Restricted Shares to the date when all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled.

**II.    DATE OF GRANT OF THE SCHEME**

The Date of Grant shall be determined by the Board of the Company subject to the consideration and approval of the Scheme at the Shareholders' Meeting of the Company. Upon consideration and approval at the Shareholders' Meeting of the Company, the Board of the Company will convene a Board meeting to determine the Date of Grant and grant the Restricted Shares to the Participants. The Company shall grant the Restricted Shares and complete the relevant announcement and registration procedures within 60 days upon the consideration and approval at the Shareholders' Meeting and the fulfilment of conditions of grant. If the Company fails to complete the above procedures within 60 days, the Scheme will be terminated and the Restricted Shares to be granted shall lapse.

The Date of Grant must be a trading day, which is within the permitted period by the relevant rules governing the securities, and the Company shall not grant the Restricted Shares to the Participants within the following periods:

- (1)    within 30 days prior to the publication of periodic reports of the Company, or in the event of a delay in publishing such reports due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on the day preceding the publication date;
- (2)    within 10 days prior to the publication of results forecast and preliminary results of the Company;
- (3)    from the date of occurrence of Significant Events with a Material Impact on the trading prices of the Shares and their derivatives of the Company, or the date on which the decision-making procedures start, to two trading days after the disclosure thereof in accordance with law;
- (4)    other periods as stipulated by CSRC and the stock exchange.

The abovementioned period during which the Company is not allowed to grant the Restricted Shares is not included in the 60-day period. If the Directors and senior management of the Company, as the Participants, have reduced their holdings of the Shares within 6 months preceding the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for 6 months from the date of the last reduction transaction in accordance with the provisions of the Securities Law on short-term trading.



### **III. LOCK-UP PERIOD AND UNLOCKING ARRANGEMENT OF THE SCHEME**

#### **1. Lock-up Period**

The Lock-up Period of the Restricted Shares granted under the Scheme shall commence from the date on which the Restricted Shares are granted to the Participants with an interval of 12 months between the Date of Grant and the Unlocking Date. The Restricted Shares granted to the Participants under the Scheme shall not be transferred or used as guarantee or for repayment of debts before unlocking.

During the blackout period of the Restricted Shares, the Participants shall be entitled to cash dividends due to the Restricted Shares granted and the repurchase price shall be adjusted accordingly. The Shares obtained by them due to the Restricted Shares granted and arising from capitalisation of capital reserves, bonus issue and share subdivision shall be subject to lock-up simultaneously, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such Shares is the same as that of the Restricted Shares. If such Shares cannot be unlocked under the Scheme, they shall be repurchased and cancelled by the Company.

#### **2. Unlocking Arrangement**

Upon unlocking, the Company shall handle unlocking issues for the Participants that satisfy the Unlocking Conditions, whereas the Restricted Shares held by the Participants that do not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

The Unlocking Period and respective unlocking schedules for the Restricted Shares granted under the Scheme are set out in the table below:

<b>Arrangement of Unlocking Period</b>	<b>Unlocking duration</b>	<b>Unlocking percentage</b>
First Unlocking Period	Commencing from the first trading day upon the expiry of 12 months from the Date of Grant to the last trading day upon the expiry of 24 months from the Date of Grant	40%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the Date of Grant to the last trading day upon the expiry of 36 months from the Date of Grant	30%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the Date of Grant to the last trading day upon the expiry of 48 months from the Date of Grant	30%

#### **IV.    BLACKOUT PERIOD OF THE SCHEME**

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

1. where a Participant is a Director or a member of the senior management of the Company, the number of Shares that may be transferred each year during his or her term of office must not exceed 25% of the total number of Shares held by him or her in the Company. No Shares of the Company being held shall be transferred within six months after his or her termination of office.

2. where a Participant is a Director or a member of the senior management of the Company, those who leave office prior to the expiry of his or her term of office shall comply with the following restrictive provisions during his or her defined term of office and within six months after the expiry of his or her term of office:

- (1) the number of Shares that may be transferred each year must not exceed 25% of the total number of Shares held by him or her in the Company;
- (2) no Shares of the Company being held shall be transferred within six months after his or her termination of office;
- (3) other requirements stipulated by laws, administrative regulations, departmental rules, administrative and regulatory documents and the rules of the stock exchange in relation to the transfer of shares by directors, supervisors and senior management of a listed company.

3. where a Participant is a Director or a member of the senior management of the Company, all gains from the sale of Shares of the Company within six months of acquisition or from the acquisition of Shares within six months of sale by the Participant shall be accounted to the Company and the Board of the Company will collect all such gains.

4. if, during the Validity Period of the Scheme, there is any amendment to the relevant requirements regarding the transfer of Shares held by the Directors and senior management of the Company under relevant laws, regulations and administrative and regulatory documents such as the Company Law and the Securities Law as well as the Articles of Association, the transfer of the Shares of the Company held by such Participants shall comply with the relevant amended laws, regulations and administrative and regulatory documents such as the Company Law and the Securities Law as well as the Articles of Association.

## **CHAPTER VII   GRANT PRICE OF THE RESTRICTED SHARES AND MEASURES FOR DETERMINING THE GRANT PRICE**

### **I.    GRANT PRICE OF THE RESTRICTED SHARES GRANTED**

The Grant Price of the Restricted Shares granted under the Scheme is RMB5.88 per Share. After meeting the conditions of grant, the Participants can purchase the ordinary A Shares directly issued to them by the Company at the price of RMB5.88 per Share.

### **II.   MEASURES FOR DETERMINING THE GRANT PRICE**

The Grant Price of the Restricted Shares granted under the Scheme shall not be less than the nominal value of the A Shares of the Company and the higher of the following items:

1. 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the announcement date of the Draft Scheme (rounded up to the nearest two decimal places), which is RMB5.81 per Share;

2. 50% of the average trading price of the Company's A Shares for 20 trading days immediately preceding the announcement date of the Draft Scheme (rounded up to the nearest two decimal places), which is RMB5.88 per Share.

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

### **I.        CONDITIONS ON GRANT OF RESTRICTED SHARES**

The following conditions must be simultaneously satisfied before the Restricted Shares can be granted to the Participants by the Company. Otherwise, no Restricted Shares shall be granted if any of the following conditions of grant is not satisfied.

**(I)    None of the following circumstances has occurred to the Company:**

- (1)    a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the financial and accounting report for the most recent accounting year;
- (2)    a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the internal control in the financial report for the most recent accounting year;
- (3)    failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public commitments in the past 36 months;
- (4)    equity incentives shall not be given under laws and regulations;
- (5)    other circumstances as determined by CSRC.

**(II)   None of the following circumstances has occurred to the Participant:**

- (1)    he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months;
- (2)    he/she has been declared an inappropriate candidate by CSRC and its local bureaus in the past 12 months;
- (3)    he/she has been imposed with administrative penalties or prohibited from market entry by CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4)    he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5)    participation in the equity incentives of listed companies is prohibited by laws and regulations;
- (6)    other circumstances as determined by CSRC.

## **II. UNLOCKING CONDITIONS OF RESTRICTED SHARES**

The following conditions must be simultaneously satisfied before the Restricted Shares granted to the Participants can be unlocked within the Unlocking Period:

**(I) None of the following circumstances has occurred to the Company:**

- (1) a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the financial and accounting report for the most recent accounting year;
- (2) a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the internal control of the financial report for the most recent accounting year;
- (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings in the past 36 months;
- (4) equity incentives shall not be given under laws and regulations;
- (5) other circumstances as determined by CSRC.

Where any of the above circumstances occurs, all Restricted Shares which were granted to Participants under the Scheme but not yet unlocked shall be repurchased and cancelled by the Company.

**(II) None of the following circumstances has occurred to the Participant:**

- (1) he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months;
- (2) he/she has been declared an inappropriate candidate by CSRC and its local bureaus in the past 12 months;
- (3) he/she has been imposed with administrative penalties or prohibited from market entry by CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5) participation in the equity incentives of listed companies is prohibited by laws and regulations;
- (6) other circumstances as determined by CSRC.

Where any of the above circumstances occurs to the Participants, the Restricted Shares which were granted to them under the Scheme but not yet unlocked shall be repurchased and cancelled by the Company.

### **(III) Performance evaluation requirements for the Company**

The evaluation period for unlocking the Restricted Shares under the Scheme shall be from 2021-2023, during which evaluation shall be conducted for each Unlocking Period. The performance targets for each Unlocking Period are listed in the table below:

Unlocking Period	Performance Indicator
First Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2021 shall be no less than 30% as compared with that for 2020
Second Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2022 shall be no less than 60% as compared with that for 2020
Third Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2023 shall be no less than 90% as compared with that for 2020

*Note:* The above-mentioned “net profit attributable to the parent” represents net profit attributable to owners of the parent company, which was calculated on the basis of the data set out in the combined statements audited by the accounting firm engaged by the Company.

Where the Company fails to meet the performance evaluation targets above, all Restricted Shares held by Participants which could be unlocked in the corresponding year of evaluation shall not be unlocked and shall be repurchased and cancelled by the Company.

### **(IV) INDIVIDUAL PERFORMANCE EVALUATION REQUIREMENT FOR PARTICIPANTS**

The Company will evaluate the individual performance of the Participants annually based on the Performance Evaluation Measures approved at the Shareholders’ Meeting and the Company’s relevant performance evaluation measures, and part of the Restricted Shares could be unlocked for the current period. Reference will be made to the Participant’s individual performance evaluation result for the previous year as the prerequisite. The Participant shall in principle obtain a “Pass” or above in the performance evaluation.

Evaluation Result	Merit (80 ≤ marks ≤ 100)	Pass (60 ≤ marks < 80)	Fail (marks < 60)
Coefficient of Unlockable Ratio	1.0	0.8	0

Individual unlockable limit for the current year = individual planned unlocking limit for the current year × individual coefficient of unlockable ratio for the current year

- (V) If the performance has not reached the required standard either at the Company level or the Participant's level leading to the failure to meet the Unlocking Conditions for the current period, the relevant Restricted Shares cannot be unlocked or deferred to the next Unlocking Period and shall be repurchased and cancelled by the Company.**

### **III. EXPLANATION OF THE SCIENTIFIC BASIS AND RATIONALITY OF THE PERFORMANCE INDICATORS**

The performance indicators of the Scheme are categorised into two levels, namely, performance evaluation at the Company level and performance evaluation at the Participant's level.

The performance evaluation indicator at the Company level is the net profit growth rate attributable to the owners of the parent company. This indicator reflects the Company's future profitability and represents an important indicator for the measurement of an enterprise's operating efficiency, and it could establish a good image in the capital market. After a reasonable forecast with consideration of the incentive effect of the Scheme, the Company set a target for the incentive scheme that the net profit growth rate attributable to owners of the parent company for 2021-2023 shall increase by no less than 30%, 60% and 90%, respectively, as compared with the growth rate for 2020.

Other than the performance evaluation at the Company level, the Company also established a strict performance evaluation system for individuals, which can lead to a more accurate and comprehensive evaluation of the performance of the Participants. The Company will determine whether the Participants have met the Unlocking Conditions based on their performance evaluation results of the last year.

In conclusion, the evaluation system of the Scheme of the Company is all-rounded, comprehensive and feasible, the performance indicators of which are scientific and rational, not only bringing restraints on the Participants but also meeting the evaluation purpose of the Scheme.

## CHAPTER IX METHODS AND PROCEDURES FOR ADJUSTMENT TO THE SCHEME

### I. ADJUSTMENT METHOD FOR THE NUMBER OF RESTRICTED SHARES

In the event of capitalisation of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company on and after the announcement of the Scheme and prior to the registration of the Restricted Shares by Participants, the number of Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

#### 1. Capitalisation of capital reserves, bonus issue, share subdivision

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

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

#### 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 prior to adjustment;  $P_1$  represents the closing price of the equity on the record date;  $P_2$  represents the subscription price in respect of rights issue;  $n$  represents the ratio of rights issue (i.e. the ratio of the number of shares to be issued under rights issue to the total share capital of the Company prior to rights issue); and  $Q$  represents the number of the Restricted Shares after adjustment.

#### 3. Share consolidation

$$Q = Q_0 \times n$$

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

#### 4. Dividend distribution, issue of new Shares

In the event of dividend distribution or issue of new Shares by the Company, the number of the Restricted Shares will not be adjusted.



## **II.    ADJUSTMENT METHODS FOR THE GRANT PRICE OF THE RESTRICTED SHARES**

In the event of dividend distribution, capitalisation of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company on and after the announcement of the Scheme and prior to the registration of the Restricted Shares by Participants, the Grant Price of the Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

### **1.    Capitalisation of capital reserves, bonus issue, share subdivision**

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

Where:  $P_0$  represents the Grant Price prior to adjustment;  $n$  represents the ratio of increase per share resulting from the capitalisation of capital reserves, bonus issue or share subdivision; and  $P$  represents the Grant Price after 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 prior to adjustment;  $P_1$  represents the closing price of the equity on the record date;  $P_2$  represents the subscription price in respect of rights issue;  $n$  represents the ratio of rights issue (i.e. the ratio of the number of shares to be issued under rights issue to the total share capital of the Company prior to rights issue); and  $P$  represents the Grant Price after adjustment.

### **3.    Share Consolidation**

$$P = P_0 \div n$$

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

### **4.    Dividend distribution**

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price prior to adjustment;  $V$  represents the dividend per share; and  $P$  represents the Grant Price after adjustment. After the adjustment of dividend distribution,  $P$  shall remain greater than 1.

### **5.    Issue of new Shares**

In the event of issue of new Shares by the Company, the Grant Price of the Restricted Shares will not be adjusted.

### **III.    PROCEDURES FOR ADJUSTMENTS TO THE RESTRICTED SHARES**

The Shareholders' Meeting of the Company authorises the Board of the Company to make adjustments to the number and Grant Price of the Restricted Shares based on the reasons listed in the Scheme. The Board shall make timely announcements and inform the Participants after adjustments to the number and Grant Price of the Restricted Shares. The Company shall engage lawyers to issue professional advice to the Board regarding whether such adjustments are in compliance with the requirements under the Administrative Measures, the Articles of Association and the Scheme.

## **CHAPTER X   ACCOUNTING METHODS FOR THE RESTRICTED SHARES**

### **I.    ACCOUNTING METHODS**

In accordance with the requirements of the Accounting Standards for Enterprises No. 11 – Share-based Payments and Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on each balance sheet date during the Lock-up Period, the Company will amend the number of the Restricted Shares that are expected to be qualified for unlocking based on the latest available follow-up information such as the changes in the number of people qualified for unlocking and the fulfilment of performance indicators, and account for the services received during the current period in relevant costs or expenses and capital reserves based on the fair value on the Date of Grant of the Restricted Shares.

#### **(I)    Date of Grant**

Share capital and capital reserves are recognised based on the grant of Shares to the Participants by the Company.

#### **(II)    Each balance sheet date during the blackout period**

In accordance with the requirements under accounting standards, at each balance sheet date during the blackout period, based on the best estimate on the number of the Restricted Shares qualified for unlocking and by reference to the fair value of the equity instruments on the Date of Grant, the services received from employees are accounted for in costs and expenses, and the equity or liabilities attributable to owners are also recognised.

#### **(III)    Unlocking Date**

At the Unlocking Date, after fulfilling the Unlocking Conditions, unlocking takes place by carrying forward the capital reserves (or other capital reserves) recognised at each balance sheet date before the Unlocking Date. If all or part of the shares are lapsed or cancelled due to failure in unlocking, they shall be disposed of in accordance with accounting standards and relevant requirements.

### **II.    EXPECTED IMPACT FROM THE IMPLEMENTATION OF THE RESTRICTED SHARES ON THE OPERATING RESULTS OF EACH PERIOD**

In accordance with the relevant requirements of the Accounting Standards for Enterprises No. 11 – Share-based Payments and Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company measures the fair value of the Restricted Shares based on the market prices of the Shares. At the Measurement Date, the fair value of share-based payment per Restricted Share = the market price of the Share of the Company – the Grant Price.

Assuming the measurement was based on the data as at 16 April 2021, the fair value of share-based payment per Restricted Share granted to the Participants by the Company shall be RMB5.85 per Share, and the total expenses that would have been recognised in respect of the grant of the Restricted Shares is estimated to be RMB247.455 million. The grant of the Restricted Shares is assumed to be completed by the end of June 2021.

Total expenses, as incentive costs in relation to the Equity Incentive Scheme of the Company, will be recognised by stage on the basis of vesting percentage during the implementation of the Scheme and expensed in operating profit or loss, the details of which are listed in the table below:

<b>Year</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
Expenses to be amortised (RMB0'000)	8,042.29	11,135.48	4,330.46	1,237.28	24,745.50

*Notes:*

1. The results above do not represent the final costs in accounting. The actual costs are associated with the actual Grant Price, the Date of Grant, the closing price on the Date of Grant, the size of grant, and the best estimate on the number of equity instruments that can be vested, and the possible dilutive effects are brought to the attention of Shareholders.
2. The ultimate impact on the operating results of the Company shall rest on the annual audit report to be issued by the accounting firm.

In accordance with the Company's preliminary estimates based on currently available information, without taking into account the stimulating effect from the incentive scheme on the results of the Company, the amortisation of the expenses in relation to the Restricted Shares affected the net profit of each year during the Validity Period of the Scheme, though not significantly.

Considering the positive impact that the Restricted Share Incentive Scheme would bring about to the development of the Company, including prompting the enthusiasm of the management team, improving the operating efficiency and reducing the operating cost, the enhancement in performance of the Company brought by the Scheme will far exceed the cost of the Scheme.

## **CHAPTER XI    PROCEDURES OF IMPLEMENTATION, GRANT AND UNLOCKING OF THE RESTRICTED SHARE INCENTIVE SCHEME**

### **I.    PROCEDURES OF IMPLEMENTATION OF THE SCHEME**

1. The Remuneration and Assessment Committee of the Board shall draft the Draft Scheme and the Performance Evaluation Measures, and submit them to the Board for consideration;

2. The Board shall review and approve the Draft Scheme for which the Directors who are proposed to be the Participants or related to any of them shall abstain from voting. After the Board has reviewed and approved the Scheme and performed the public announcement procedure, it shall propose the Scheme to the Shareholders' Meeting for review; at the same time, it shall propose to the Shareholders' Meeting to authorise the Board of the Company to implement the grant, unlocking and repurchase for cancellation of the Restricted Shares;

3. The independent Directors and the Board of Supervisors shall issue an opinion as to whether the Scheme is beneficial to the sustainable development of the Company or is detrimental to the interests of the Company and the Shareholders as a whole;

4. The Scheme shall be reviewed and approved by the Shareholders' Meeting prior to its implementation. Before convening the Shareholders' Meeting, the Company shall publish the names and positions of the Participants internally on the Company's website or through other means for a period of not less than 10 days. The Board of Supervisors shall verify the list of Participants and thoroughly consider the opinions from the public. The Company shall disclose the explanation of review and disclosure of the list of the Participants by the Board of Supervisors 5 days before the Equity Incentive Scheme is considered at the Shareholders' Meeting;

5. The Company shall carry out a self-inquiry on the trading of Shares and derivatives of the Company by insiders during the six months' period prior to the announcement of the draft Equity Incentive Scheme to examine whether the behaviour of insider trading exists;

6. The Company will provide the options of voting on site or via the Internet when the Scheme is reviewed at the Shareholders' Meeting. The terms of the Equity Incentive Scheme shall be voted at the Shareholders' Meeting, and be approved by more than two-thirds of the attending Shareholders with voting rights. Except for the Directors, Supervisors and senior management 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. The Shareholders who are the proposed Participants or related to any of them shall abstain from voting;

7. The Company shall grant the Restricted Shares to the Participants within the prescribed time upon approval of the Restricted Shares Scheme at the Shareholders' Meeting of the Company and the fulfilment of conditions of grant stipulated under the Scheme. The Board shall be responsible for handling matters in relation to the grant, unlocking and repurchase of the Restricted Shares in accordance with the mandate granted at the Shareholders' Meeting.

## **II.    PROCEDURES OF GRANTING THE RESTRICTED SHARES**

1. The Board shall confirm and publish the Date of Grant after the Scheme has been considered and approved at the Shareholders' Meeting and conditions of the Grant have been satisfied. The Board shall consider if the conditions of the grant of Participants set out in the Equity Incentive Scheme have been satisfied, and the independent Directors and the Board of Supervisors shall simultaneously issue clear opinions thereon. A law firm shall issue legal opinion on whether the conditions of the grant have been satisfied by the Participants. The Board of Supervisors shall check the list of Participants as at the Date of Grant of the Restricted Shares and express opinions;

2. The Company shall complete the relevant procedures such as the grant of the equity interests, registration and announcement within 60 days after the Scheme has been reviewed and approved at the Shareholders' Meeting and conditions of the grant have been satisfied. The Date of Grant shall be a trading day. After the completion of registration of the Restricted Shares granted, the Board of the Company shall disclose the implementation status thereof timely by way of announcement. If the Company fails to complete those procedures mentioned above within 60 days, the Scheme shall be terminated, and the Board shall timely disclose the reasons for such failure, and shall not be allowed to review an Equity Incentive Scheme in the following three months;

3. In case of discrepancy between the equity interests granted to the Participants by the Company and the arrangement under the Scheme, the independent Directors, the Board of Supervisors (where there is a change of the Participants) and the law firm shall simultaneously issue clear opinions thereon;

4. The Scheme shall be implemented upon review and approval at the Shareholders' Meeting, and the Board of the Company shall enter into the Restricted Shares Grant Agreement with the Participants pursuant to the Scheme respectively, under which the rights and obligations of both parties are agreed. The Board of the Company will handle the grant of the Restricted Shares in accordance with the mandate granted at the Shareholders' Meeting;

5. The Company shall make an application to the stock exchange before the Restricted Shares are granted, and securities registration and clearing institution will conduct the registration procedure thereof upon confirmation by such stock exchange.

## **III.    UNLOCKING PROCEDURES OF THE RESTRICTED SHARES**

1. The Company shall confirm whether the Unlocking Conditions have been satisfied by the Participants prior to the Unlocking Date. The Board shall consider whether the Unlocking Conditions set out in the Scheme have been fulfilled and the independent Directors and the Board of Supervisors shall simultaneously issue clear opinions thereon. A law firm shall issue legal opinion as to whether the Unlocking Conditions have been fulfilled by the Participants.

2. As to the Participants who have satisfied the Unlocking Conditions, the Company shall solely handle the matters related to the unlocking. As to the Participants who have not satisfied the conditions, the Company shall repurchase and cancel such Restricted Shares as held by them subject to the unlocking;

3. Participants can transfer the unlocked Restricted Shares. However, the transfer of the Shares held by Directors and senior management of the Company shall be subject to the relevant laws, regulations and requirements under regulatory documents.

#### **IV. PROCEDURES FOR AMENDMENTS TO THE SCHEME**

1. If the Company proposes to amend the Scheme prior to the review of the Scheme at the Shareholders' Meeting, such amendments shall be reviewed and approved by the Board.

2. If the Company proposes to amend the Scheme after the review and approval of the Scheme at the Shareholders' Meeting, such amendments shall be reviewed and decided at the Shareholders' Meeting, and the circumstances set out below shall not be included:

- (1) that will result in the unlocking in advance;
- (2) that will lower the Grant Price.

3. The independent Directors and the Board of Supervisors shall express independent opinions as to whether the amendments are conducive to the sustainable development of a listed company, or are significantly detrimental to the interests of the listed company and the Shareholders as a whole. A law firm shall issue professional opinions as to whether the amendments to the Scheme are in compliance with the requirements of the Measures and the relevant laws and regulations, or are significantly detrimental to the interests of the listed company and the Shareholders as a whole.

#### **V. PROCEDURES FOR TERMINATION OF THE SCHEME**

1. If the Company proposes to terminate the Scheme prior to the review of the Scheme at the Shareholders' Meeting, such termination shall be reviewed and approved by the Board.

2. If the Company proposes to terminate the Scheme after the review and approval of the Scheme at the Shareholders' Meeting, such termination shall be considered and determined at the Shareholders' Meeting.

If a Shareholders' Meeting of the Company or the Board has reviewed and passed a resolution to terminate the Equity Incentive Scheme, they shall not be allowed to review again within three months from the date of the announcement of the resolution.

3. A law firm shall issue professional opinions as to whether the termination of the Scheme by the Company is in compliance with the requirements of the Administrative Measures and the relevant laws and regulations, or is significantly detrimental to the interests of the Company and the Shareholders as a whole.

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

### **I.    RIGHTS AND OBLIGATIONS OF THE COMPANY**

1. The Company has the power of interpretation and execution in respect of the Scheme. It will assess the performance of the Participants and supervise and review whether the Participants continue to be qualified for unlocking. If a Participant fails to fulfil the Unlocking Conditions as set out in the Scheme, the Company will repurchase and cancel the Restricted Shares that have not been unlocked by the Participant in accordance with the principles under the Scheme.

2. If a Participant breaches his/her obligations of loyalty under the Company Law, the Articles of Association and others, or impairs the interests and reputation of the Company due to breach of laws, violation of professional ethics, leak of confidential information of the Company, breach of duty or malfeasance, the Company shall cancel the Restricted Shares that have not been unlocked; if the breach is serious, the Board of the Company shall have the right to recover all or part of gains derived from the unlocked Restricted Shares.

3. The Company undertakes not to provide loans and financial assistance in any other form, including providing guarantee for loans, to the Participants in acquiring relevant Restricted Shares under the Scheme.

4. The Company shall fulfil its taxation obligations in relation to the Scheme in accordance with the requirements under national tax laws or regulations.

5. The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under the Scheme in accordance with relevant requirements, and shall undertake that the contents of relevant information disclosure documents regarding the Equity Incentive Scheme do not contain any false record, misleading statement or material omission.

6. The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock their Restricted Shares in accordance with relevant requirements including those under the Equity Incentive Scheme, the stock exchange, CSDC and others. However, the Company disclaims any liability for any loss suffered by a Participant arising from his/her inability to unlock due to reasons relating to the stock exchange or CSDC.

7. The Company's determination of the Participants of the Scheme does not mean that they have the right to continue to serve the Company, nor does it constitute a commitment by the Company on staff employment duration. The employment relationship between the Company and the employees will remain in compliance with the labour contracts or employment contracts signed with 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 under 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 lock up the Restricted Shares granted to her/she in accordance with the requirements under the Scheme.

3. A Participant shall raise his/her own funds as the source of capital.

4. The Restricted Shares granted to a Participant shall, after registration with the CSDC, be entitled to the rights attaching to his/her Shares, including but not limited to the rights to dividend, rights issue and voting. Before the unlocking of the Restricted Shares, the Restricted Shares (including share dividend arising from such Restricted Shares) granted to the Participants in accordance with the Scheme shall be locked up. The Shares shall not be transferred nor used as a guarantee or repayment of indebtedness.

5. In the event of the distribution of cash dividend by the Company, the cash dividend attributable to a Participant in respect of his/her Restricted Shares granted shall vest in him/her after the withholding and payment of income tax. If he/she fails to unlock such Restricted Shares, the Company shall deduct such portion of the cash dividend to which the Participant is entitled when repurchasing such Restricted Shares in accordance with the requirements under the Scheme, and make accounting treatment accordingly.

6. A Participant shall pay his/her income tax and other levies for the gains from the Incentive Scheme in accordance with national tax laws or regulations.

7. The Participants undertake that, in case of disqualification for the grant of interests or the arrangement on the exercise of interest due to false records, misleading statements or material omissions in the Company's information disclosure documents, the Participants shall, after the confirmation of the false record, misleading statement or material omission in relevant information disclosure documents, return all the gains from the Equity Incentive Scheme to the Company.

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

## **CHAPTER XIII    MECHANISM FOR SPECIFIC OCCURRENCES TO THE COMPANY AND THE PARTICIPANTS**

### **I.    MECHANISM FOR SPECIFIC OCCURRENCES TO THE COMPANY**

1.    On occurrence of any of the following circumstances to the Company, the Scheme shall be terminated immediately:
  - (1)    a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the financial and accounting report for the most recent accounting year;
  - (2)    a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the internal control of financial report for the most recent accounting year;
  - (3)    failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association, and public undertakings in the past 36 months;
  - (4)    a circumstance where equity incentives shall not be granted under laws and regulations;
  - (5)    other circumstances where the Scheme shall be terminated as determined by CSRC.

Upon the occurrence of the above circumstances in the Company where the Scheme shall be terminated, the Restricted Shares granted but not yet unlocked by the Participants shall not be unlocked, and all shall be repurchased and cancelled by the Company at a repurchase price calculated as the Grant Price plus the interest based on the deposit interest rate for the same period issued by the People's Bank of China. In case of individual liability being involved, the share repurchase price paid to the Participant shall be the Grant Price.

2.    On occurrence of any of the following circumstances to the Company, the Scheme shall proceed as usual:
  - (1)    a change of control of the Company;
  - (2)    a merger and spin-off of the Company;
3.    Where the false record, misleading statement or material omission in the information disclosure documents of the Company resulted in non-compliance with the conditions of the grant of the Restricted Shares or the arrangement for the unlocking of the Restricted Shares, all lock-up Restricted Shares shall be repurchased and cancelled solely by the Company. In respect of the Restricted Shares already be unlocked by the Participants, all the Participants concerned shall return all gains received to the Company. The Participants who bear no

responsibility for the aforesaid matters and incur losses as a result of the return of interest may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Scheme.

## **II. MECHANISM FOR SPECIFIC OCCURRENCES TO THE PARTICIPANTS**

1. During the Validity Period of the Scheme, the Restricted Shares granted but yet to unlock shall be repurchased and cancelled by the Company, with the Grant Price as the repurchase price and no interest for the same period being paid. As for the Restricted Shares which have been unlocked, the Participants shall be required to return all the gains received from the equity incentive to the Company, if one of the following circumstances occurs:

- (1) he/she has been declared as an inappropriate candidate by the stock exchange in the past 12 months;
- (2) he/she has been declared as an inappropriate candidate by CSRC and its local bureaus in the past 12 months;
- (3) he/she has been imposed with administrative penalties or prohibited from market entry by CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5) during his/her term of office, the Participant is engaged in illegal acts which have caused damage to the Company, including bribery, corruption, theft, leak of the Company's operation and trade secrets or engagement in related party transactions which have caused damage to the Company's benefit and reputation, as well as illegal acts which have material negative impact to the Company;
- (6) violation of relevant national laws and regulations and the Articles of Association of the Company;
- (7) other circumstances in which participation in the equity incentives of listed companies is prohibited by laws and regulations or by CSRC;
- (8) the Participant has not engaged in discussion with the Company and discharges or terminates the labour relationship or employment relationship with the Company and/or its subsidiary(ies), including but not limited to circumstances such as resignation with no legitimate reasons;
- (9) the Participant's labour relationship and employment relationship has been terminated due to the Participant's fault, violation of disciplines or illegal behaviours.

2. If a Participant discharges or terminates the labour relationship or employment relationship with the Company or its subsidiary(ies) due to objective reasons such as job transfer, retirement, death or loss of civil capacity, the Restricted Shares granted which have satisfied the Unlocking Conditions for the current year shall be unlocked within six months from the date of cessation of service and the part that has not been unlocked for more than 6 months shall be repurchased or cancelled by the Company. For the Restricted Shares which have not satisfied the Unlocking Conditions shall not be unlocked and shall be repurchased or cancelled by the Company. The repurchase price is the sum of the Grant Price plus the interest calculated based on the deposit interest rate for the same period as announced by the People's Bank of China.

The Restricted Shares can be unlocked according to the above provisions by their successor(s) in the event of the death of Participants.

3. If the Participants become those who cannot hold the Company's Restricted Shares, such as independent Directors or Supervisors, the Restricted Shares granted but yet to unlock shall not be unlocked, and shall be repurchased or cancelled by the Company with the Grant Price as the repurchase price.

4. In case of a change of the position of the Participant, and he/she remains as the management and key business personnel of the Company after such change, his/ her Restricted Shares available for unlocking will be reassessed according to the corresponding criteria of his/her new position, and any Restricted Shares reduced will be repurchased and cancelled by the Company. If the Participant becomes unqualified for participating in the Scheme after such change of position, the unlocked Restricted Shares shall maintain effective, while those granted but yet to unlock will be repurchased and cancelled by the Company. The repurchase price is the sum of the Grant Price plus the bank deposit interest for the same period.

5. If the Participant cannot report his or her duty as usual within a full evaluation period for personal reasons (excluding annual leave), the number of Restricted Shares available for unlocking will be on par with the actual period in which the Participant has been on duty, or all of the Restricted Shares for the current period will be cancelled.

6. Other unspecified circumstances and ways of handling such circumstances as determined by the Remuneration and Assessment Committee of the Board.

## **CHAPTER XIV    PRINCIPLES OF REPURCHASE AND CANCELLATION OF RESTRICTED SHARES**

### **I.    ADJUSTMENT METHOD FOR REPURCHASE PRICE**

In the event of capitalization of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company after completion of the share registration of the Restricted Shares granted to Participant, adjustment shall be made by the Company to the repurchase price of the unlocked Restricted Shares accordingly. The adjustment methods are as follows:

#### **1.    Capitalization of capital reserves, bonus issue, share subdivision**

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

Where: P represents the repurchase price per Restricted Share after the adjustment;  $P_0$  represents the Grant Price per Restricted Share; and n represents the ratio of increase per share resulting from the capitalization of capital reserves, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalization of capital reserves, bonus issue or share subdivision).

#### **2.    Rights issue**

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

Where: P represents the repurchase price per Restricted Share after the adjustment;  $P_0$  represents the Grant Price per Restricted Share;  $P_1$  represents the closing price of the equity on the record date;  $P_2$  represents the subscription price in respect of rights issue; and n represents the ratio of rights issue (i.e. the ratio of the number of shares to be issued under rights issue to the total share capital of the Company prior to rights issue).

#### **3.    Share consolidation**

$$P = P_0 \div n$$

Where: P represents the repurchase price per Restricted Share after the adjustment;  $P_0$  represents the Grant Price per Restricted Share; and n represents the ratio of share consolidation (i.e. one share of the Company being consolidated into n shares).

#### **4.    Dividend distribution**

$$P = P_0 - V$$

Where: P represents the Repurchase Price per Restricted Share after the adjustment;  $P_0$  represents the Grant Price per Restricted Share; and V represents the dividend per share. After the adjustment of dividend distribution, P shall remain greater than 1.

In the event of any public placement or private placement by the Company after the Date of Grant, the Restricted Shares shall be repurchased and cancellation pursuant to the provisions of the Scheme, no adjustment will be made to the Repurchase Price.

## **II. PROCEDURES OF ADJUSTMENTS TO THE REPURCHASE PRICE**

1. The Shareholders' Meeting of the Company shall authorise the Board of the Company to adjust the repurchase price of the Restricted Shares based on the reasons above. The Board shall make timely announcement after making adjustment to the repurchase price of the Restricted Shares in accordance with the abovementioned provisions.

2. Any adjustment made to the repurchase price of the Restricted Shares for other reasons shall be subject to resolution of the Board and approval at the Shareholders' Meeting.

## **III. PROCEDURES OF REPURCHASE AND CANCELLATION**

The repurchase by the Company under the provisions of the Scheme shall be implemented through convening a Board meeting to consider the repurchase proposal in a timely manner and putting forward the proposal to the Shareholders' Meeting for approval before announcement. The repurchase by the Company under the provisions of the Scheme shall be implemented in accordance with the requirements under Company Law. When making a repurchase, the Company shall apply to the stock exchange and after confirmation by the stock exchange, relevant registration and settlement procedure will be conducted by CSDC.

## **CHAPTER XV DISPUTE RESOLUTION BETWEEN THE COMPANY AND THE PARTICIPANTS**

Any dispute between the Company and the Participants arising from the implementation of or in relation to the Scheme shall be resolved through amicable negotiation. In the event that such negotiation cannot reach an agreement, either party may lodge a civil lawsuit at the people's court where the Company is located and resolve the dispute through relevant judicial procedures.

## **CHAPTER XVI    SUPPLEMENTARY PROVISIONS**

I. For any contradiction between the terms under the Scheme and the relevant laws, regulations, administrative provisions and regulatory documents of the PRC, the Scheme shall be executed or adjusted in accordance with such relevant laws, regulations, administrative provisions and regulatory documents of the PRC. For any content that is not specified in the Scheme, it shall be executed or adjusted in accordance with relevant laws, regulations, administrative provisions and regulatory documents of the PRC.

II. The Scheme shall take effect upon consideration and approval at the Shareholders' Meeting of the Company.

III. The Scheme is subject to the interpretation by the Board of the Company.

Zhengzhou Coal Mining Machinery Group Company Limited  
17 April 2021

**ADMINISTRATIVE MEASURES FOR PERFORMANCE EVALUATION  
UNDER THE 2021 RESTRICTED SHARE INCENTIVE SCHEME OF  
ZHENGZHOU COAL MINING MACHINERY GROUP COMPANY LIMITED**

These Measures are prepared in accordance with relevant laws, regulations and administrative and regulatory documents such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for Equity Incentives of Listed Companies, the 2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited and the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited as well as the actual situation of the Company, to ensure smooth progress of the 2021 restricted share incentive scheme (the "**Equity Incentive Scheme**") of Zhengzhou Coal Mining Machinery Group Company Limited (the "**Company**"), further improve its corporate governance structure, promote its establishment and perfection of a long-term incentive mechanism, fully stimulate the initiative of the Directors, senior management, core management and core personnel of the Company to work, effectively align the interests of the Shareholders and the Company with the personal interests of the core team, procure all parties concerned to pay attention to the Company's long-term development, and ensure that the Company delivers on its development strategies and operational objectives.

**I. EVALUATION PURPOSE**

These Measures are designed to further improve the Company's corporate governance structure, promote its establishment and perfection of a long-term incentive mechanism, fully stimulate the initiative of the Directors, senior management, core management and core personnel of the Company to work, effectively align the interests of the Shareholders and the Company with the personal interests of the core team, procure all parties concerned to pay attention to the Company's long-term development, and ensure that the Company delivers on its development strategies and operational objectives.

**II. EVALUATION PRINCIPLE**

The evaluation assessment must adhere to the principle of justice, openness and fairness, under which the performance, capability and attitude of the Participants under evaluation will be evaluated in strict accordance with the Measures so as to closely align the Equity Incentive Scheme with the performance and value contribution of the Participants, thereby improving management performance, establishing a long-term incentive system and maximising company value and all Shareholders' benefits.

**III. SCOPE OF EVALUATION**

The Measures are applicable to the Participants identified in the 2021 Restricted Share Incentive Scheme (Draft) of Zhengzhou Coal Mining Machinery Group Company Limited, including the Directors, senior management, core management and core personnel (including core personnel for research and development, sales and management) of the Company.



#### IV. EVALUATION INSTITUTIONS AND RESPONSIBILITY DIVISION

1. The Board of the Company is responsible for the implementation of the Equity Incentive Scheme, and authorises the Remuneration and Assessment Committee of the Board of the Company to lead and organise the evaluation work;

2. The human resources department of the Company is responsible for the specific implementation of evaluation, the collection and provision of evaluation-related data together with such departments as the finance department of the Company, as well as the truthfulness and reliability of the data;

3. The human resources department of the Company is responsible for calculating the Participants' evaluation scores and aggregating the materials for evaluation results, while the Remuneration and Assessment Committee of the Board and the Board of Supervisors of the Company provide guidance and supervision on the evaluation process;

4. The Remuneration and Assessment Committee of the Board of the Company reviews the Participants' evaluation results.

#### V. EVALUATION INDICATORS

##### (I) Performance evaluation at the Company level

For the Restricted Shares granted under the Equity Incentive Scheme, the Participants will be subject to one annual performance evaluation and unlocking for each of the three accounting years from 2021 to 2023 (the "**Evaluation Years**"). The annual performance evaluation targets of the Company are listed in the table below:

Unlocking Period	Performance Indicator
First Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2021 shall be no less than 30% as compared with that for 2020
Second Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2022 shall be no less than 60% as compared with that for 2020
Third Unlocking Period	With net profit attributable to the parent for 2020 as the benchmark, the growth rate of net profit attributable to the parent for 2023 shall be no less than 90% as compared with that for 2020

*Note:* The above-mentioned “net profit attributable to the parent” represents net profit attributable to owners of the parent company, which was calculated on the basis of the data set out in the combined statements audited by the accounting firm engaged by the Company.

Where the Company fails to meet the performance evaluation targets above, all the Restricted Shares held by the Participants which could be unlocked in the corresponding year of evaluation shall not be unlocked and shall be repurchased and cancelled by the Company.

**(ii) Performance evaluation at the Participant’s level**

We will evaluate all the Participants during the evaluation year based on the relevant performance evaluation measures formulated by the Company. Under the guidance of the Remuneration and Assessment Committee of the Board of the Company, the human resources department shall, based on the Company’s annual performance evaluation scores of the Participants, propose the comprehensive evaluation results during the evaluation year and submit them to the Remuneration and Assessment Committee for review and approval, and determine the unlockable ratio in accordance with the review results.

Evaluation results are categorised into three grades, namely, “merit”, “pass” and “fail”, with the actual number of Shares vested in the Participants to be determined according to the following coefficients of unlockable ratios.

<b>Evaluation Result</b>	<b>Merit</b>	<b>Pass</b>	<b>Fail</b>
	<b>(80 ≤ marks ≤ 100)</b>	<b>(60 ≤ marks &lt; 80)</b>	<b>(marks &lt; 60)</b>
Coefficient of Unlockable Ratio	1.0	0.8	0

Individual unlockable limit for the current year = individual planned unlocking limit for the current year × individual coefficient of unlockable ratio for the current year

If the performance has not reached the required standard either at the Company level or the Participant’s level leading to the failure to meet the Unlocking Conditions for the current period, the relevant Restricted Shares shall not be unlocked or deferred to the next Unlocking Period and shall be repurchased and cancelled by the Company.

**VI. PERIOD AND NUMBER OF EVALUATION****1. Evaluation period**

The evaluation period is the accounting year prior to the year in which the Participants unlock the Restricted Shares.

**2. Number of evaluation**

Evaluation shall take place once per evaluation year.

**VII. EVALUATION PROCEDURES**

1. The human resources department is responsible for specific evaluation work and retaining evaluation results under the guidance of the Remuneration and Assessment Committee of the Board of the Company, based on which a performance evaluation report will be completed and submitted to the Remuneration and Assessment Committee of the Board of the Company for review.

2. The Remuneration and Assessment Committee of the Board of the Company shall determine the unlocking qualifications and the number of unlockable Shares for the Participants based on the performance evaluation report.

**VIII. MANAGEMENT OF EVALUATION RESULTS****(I) Revision of evaluation indicators and results**

In the event of material force majeure or exceptional reasons during the evaluation period that affect the work performance of the Participants under evaluation, the Remuneration and Assessment Committee of the Board of the Company may adjust the evaluation indicators and results with significant deviations.

**(II) Feedback of and complaint about evaluation results**

The Participants under evaluation have the right to know their evaluation results and shall be notified of such results within 5 working days by the human resources department after the evaluation is completed.

The Participants under evaluation who object to the results may communicate with the human resources department to resolve the issue. If such communication fails to address the issue, the Participants may issue a complaint to the Remuneration and Assessment Committee of the Board of the Company through the human resources department. The Remuneration and Assessment Committee of the Board of the Company shall review the evaluation results and determine the final evaluation results within 5 working days.

Such evaluation results shall serve as the basis for unlocking the Restricted Shares.

**(III) Filings of evaluation results**

1. After the evaluation is completed, evaluation results shall be filed and saved as confidential information by the human resources department for a period of no less than ten (10) years.

2. To ensure the effectiveness of performance incentives, evaluation records are not allowed to be altered. If the records require further amendment or recording, the Participants' signatures are required.

**IX. SUPPLEMENTARY PROVISIONS**

1. The Measures are subject to formulation, interpretation and revision by the Board.

2. The Measures shall be implemented upon consideration and approval by the Shareholders' Meetings of the Company and after the Equity Incentive Scheme takes effect.

3. In the event of any contradiction between the Measures and the laws, administrative regulations, department rules and regulatory documents issued by regulatory authorities, then such laws, administrative regulations, department rules and regulatory documents shall prevail.

Board of Zhengzhou Coal Mining Machinery Group Company Limited  
17 April 2021

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, so far as the Directors were aware, the Directors, the Supervisors and chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance (the “SFO”) of Hong Kong) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under relevant provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein (including interests and short positions which they are taken or deemed to have under relevant provisions of the SFO); or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules as follows:

Name	Director/ Supervisor/ Chief Executive	Capacity/ Nature of interest	Class of shares	Number of shares	Approximate percentage of the relevant class of share capital %	Approximate percentage of the total number of shares %	Long position/ Short position/ Lending pool
JIAO Chengyao	Director	Beneficial owner	A Share	2,901,964	0.19	0.17	Long position
XIANG Jiayu	Director	Beneficial owner	A Share	1,895,120	0.13	0.11	Long position
FU Zugang	Director	Beneficial owner	A Share	2,526,720	0.17	0.15	Long position
		Interest of spouse	A Share	200,000	0.01	0.01	Long position
WANG Xinying	Director	Beneficial owner	A Share	1,895,040	0.13	0.11	Long position
LIU Qiang	Supervisor	Beneficial owner	A Share	11,500	0.00	0.00	Long position
ZHANG Minglin	Supervisor	Beneficial owner	A Share	100,000	0.01	0.01	Long position

## Interests in the underlying Shares

Name	Director/ Supervisor/ Chief Executive	Capacity/ Nature of interest	Class of shares	Number of share options held	Approximate percentage of the relevant class of share capital	Approximate percentage of the total number of shares
					%	%
JIA Hao	Director	Beneficial owner	A Share	700,000	0.05	0.04
FU Zugang	Director	Beneficial owner	A Share	600,000	0.04	0.03

*Note:* Mr. Jia Hao holds share options of the Company and no shares of the Company. Should he acquire any shares of the Company prior to the AGM, Mr. Jia Hao will abstain from voting on the proposed adoption of the 2021 Restricted Share Incentive Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are deemed to have); or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

### 3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, the following Shareholders (other than the Directors, Supervisors or chief executives) had interests or short positions in any Shares and underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name	Capacity/ Nature of interest	Class of shares	Number of shares	Approximate percentage of the relevant class of share capital %	Approximate percentage of the total number of shares %	Long position/ Short position/ Lending pool
Henan Asset Management Co., Ltd. <sup>(1)</sup>	Interest of beneficial owner and party acting in concert	A Share	346,404,576	23.26	19.99	Long position
Hong Yi Investment Management (Henan) Partnership (Limited Partnership) <sup>(1)</sup>	Beneficial owner	A Share	277,195,419	18.61	16.00	Long position
State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government <sup>(2)</sup>	Interest in a controlled corporation	A Share	243,892,381	16.38	14.08	Long position
Henan Machinery Investment Group Co., Ltd. <sup>(2)</sup>	Beneficial owner	A Share	243,892,381	16.38	14.08	Long position
Prime Capital Management Company Limited	Investment manager	H Share	36,191,111	14.88	2.09	Long position
Morgan Stanley <sup>(3)</sup>	Interest in a controlled corporation	H Share	12,370,942	5.09	0.71	Long position
	Interest in a controlled corporation	H Share	1,639,960	0.67	0.09	Short position
UBS Group AG <sup>(4)</sup>	Interest in a controlled corporation	H Share	15,786,660	6.49	0.91	Long position

## Notes:

- (1) Henan Asset Management Co., Ltd. directly holds 69,209,157 A Shares of the Company. Pursuant to Article 317(1)(a) of the SFO, Henan Asset Management Co., Ltd. is deemed a party acting in concert with Hong Yi Investment Management (Henan) Partnership (Limited Partnership). Hence, Henan Asset Management Co., Ltd. is deemed to own the same batch of 277,195,419 A Shares of the Company directly held by Hong Yi Investment Management (Henan) Partnership (Limited Partnership). Henan Asset Management Co., Ltd. directly owns and is deemed to own an aggregate of 346,404,576 A Shares of the Company.
- (2) Henan Machinery Investment Group Co., Ltd. directly holds 243,892,381 A Shares of the Company. Henan Machinery Investment Group Co., Ltd. is a wholly owned subsidiary of the State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government. Pursuant to the SFO, the State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government is deemed to own the same batch of 243,892,381 A Shares of the Company directly held by Henan Machinery Investment Group Co., Ltd.
- (3) By way of its relations with certain corporations, Morgan Stanley is interested in a total of 12,370,942 (long position) and 1,639,960 (short position) H Shares held in the Company. As disclosed in the notice of interest submitted by Morgan Stanley (with the relevant event dated 22 April 2021), Morgan Stanley is interested in the following H Shares:

Name of Controlled Corporation	Name of Controlling Person	Percentage of Control	Direct Interest (Yes/No)	Number of Shares	
Morgan Stanley International Holdings Inc.	Morgan Stanley	100.00	No	Long position	12,317,342
				Short position	1,639,627
Morgan Stanley International Limited	Morgan Stanley International Holdings Inc.	100.00	No	Long position	12,317,342
				Short position	1,639,627
Morgan Stanley Investments (UK)	Morgan Stanley International Limited	100.00	No	Long position	12,317,342
				Short position	1,639,627
Morgan Stanley & Co. International plc	Morgan Stanley Investments (UK)	100.00	Yes	Long position	12,317,342
				Short position	1,639,627
Morgan Stanley Capital Management, LLC	Morgan Stanley	100.00	No	Long position	53,600
				Short position	333
Morgan Stanley Domestic Holdings, Inc.	Morgan Stanley Capital Management, LLC	100.00	No	Long position	53,600
				Short position	333
Morgan Stanley & Co. LLC	Morgan Stanley Domestic Holdings, Inc.	100.00	Yes	Long position	53,600
Morgan Stanley Capital Services LLC	Morgan Stanley Domestic Holdings, Inc.	100.00	Yes	Short position	333

In addition, 243,403 (long position) and 360 (short position) H Shares are held by way of a non-listed derivative instrument through cash settlement.



- (4) By way of its relations with certain corporations, UBS Group AG is interested in a total of 15,786,660 H Shares (long position) held in the Company. As disclosed in the notice of interest submitted by UBS Group AG (with the relevant event dated 12 April 2021), UBS Group AG is interested in the following H Shares:

Name of Controlled Corporation	Name of Controlling Person	Percentage of Control	Direct Interest (Yes/No)	Number of Shares	
UBS AG	UBS Group AG	100.00	Yes	Long position	1,475,600
UBS Asset Management (Hong Kong) Ltd	UBS Group AG	100.00	Yes	Long position	9,211,061
UBS O'Connor LLC	UBS Group AG	100.00	Yes	Long position	3,000,000
UBS Switzerland AG	UBS Group AG	100.00	Yes	Long position	2,099,999

In addition, 1,108,000 H Shares (long position) are held by way of a non-listed derivative instrument through cash settlement.

Save as disclosed above and so far as the Directors, Supervisors and senior management of the Company were aware, as at the Latest Practicable Date, no substantial shareholder of the Company or other person held any interest or short position in the Shares or underlying Shares (as the case may be) which was required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders' Meetings of the Company.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force which (i) including both continuous and fixed term contracts, had been entered into or amended within 6 months before the date of this circular; (ii) were continuous contracts with a notice period of 12 months or more; or (iii) were not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates of the Company had any interest in a business which competed or was likely to compete with the business of the Company.

**6. INTEREST IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, the Company or any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

**7. MATERIAL CHANGE**

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

**8. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following sets out the qualifications of the experts (as defined under the Listing Rules and/or the Takeovers Code) which have given their opinion or advice as contained in this circular:

<b>NAME</b>	<b>Qualification</b>
Gram Capital Limited	A licensed corporation under the SFO registered and permitted to carry on Type 6 (advising on corporate finance) regulated activities.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and/or references to their name in the form and context in which they are included.

As at the Latest Practicable Date, none of the above experts had any beneficial interests in any members of the Enlarged Group (including any company to become a subsidiary of the Company by virtue of the agreed or proposed acquisitions since 31 December 2020, the date to which the latest published audited accounts of the Company were made up) or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Enlarged Group (including any company to become a subsidiary of the Company by virtue of the agreed or proposed acquisitions since 31 December 2020, the date to which the latest published audited accounts of the Company were made up).

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any members of the Group since 31 December 2020, the date to which the latest published audited accounts of the Company were made up, or which were proposed to be acquired or disposed of by or leased to any members of the Enlarged Group (including any company to become a subsidiary of the Company by virtue of the agreed or proposed acquisitions since 31 December 2020, the date to which the latest published audited accounts of the Company were made up).

## 9. LITIGATION

As at the Latest Practicable Date, the Company, any of its subsidiaries or any of the Target Companies had no engagement in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company, any of its subsidiaries or any of the Target Companies.

## 10. GENERAL

- (a) The registered office of the Company is at No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.
- (b) The Company's principal place of business in Hong Kong is situated at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (c) As at the Latest Practicable Date, the Directors comprise Mr. Jiao Chengyao, Mr. Xiang Jiayu, Mr. Jia Hao, Mr. Fu Zugang, Mr. Wang Xinying, Mr. Cui Kai, Mr. Yang Dongsheng, Mr. Cheng Jinglei, Mr. Ji Feng, Ms. Guo Wenqing and Mr. Fang Yuan.
- (d) The Company's share registrar for H Shares is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The secretary of the Company is Mr. Zhang Haibin. Mr. Zhang graduated from China University of Mining and Technology and obtained a bachelor's degree in law in July 2005.

- (f) In the event of any inconsistency, the Chinese language text of this circular shall prevail over the English language text.
- (g) Save as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

#### 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be kept at the principal place of business of the Company and available for inspection from the date of this circular up to 4 June 2021:

- (a) the letter from the Board, the text of which is set out on pages 4 to 22 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 44 of this circular;
- (d) the written consents of the experts mentioned in the section headed “Qualifications and Consents of Experts” in this appendix;
- (e) the annual reports of the Company for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively;
- (f) this circular (including full text of 2021 Restricted Share Incentive Scheme (Draft)).