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

**(Stock Code: 00323)**

**(1) PROPOSED ADOPTION OF THE 2021  
RESTRICTED A SHARE INCENTIVE SCHEME**  
**(2) CONNECTED TRANSACTION – PROPOSED GRANT UNDER  
INCENTIVE SCHEME**

The Board is pleased to announce that, on 24 December 2021, the Board approved the proposed adoption of the 2021 Restricted A Share Incentive Scheme. The Incentive Scheme shall become effective upon consideration and approval of the extraordinary general meeting and the Class Meetings of the Company. Before the extraordinary general meeting and the Class Meetings are held for approval of the Incentive Scheme, the Company may make certain amendments to the Incentive Scheme upon requests of the regulatory authorities of the PRC and/or Hong Kong. The principal terms of the proposed Incentive Scheme are summarized as follows:

**1. RESTRICTED A SHARE INCENTIVE SCHEME**

**I. Purpose and principle**

To further establish and improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully motivate the core staff, and effectively combine the interests of the shareholders, the Company and employees' personal, in accordance with the relevant regulations of 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 for listed companies (Order No. 148 of the China Securities Regulatory Commission) and the guidelines for the implementation of equity incentives for listed companies controlled by central enterprises (Guo Zi Kao Fen [2020] No. 178), combined with the Company's current performance appraisal management system to formulate the Incentive Scheme.

**II. Basis for determining the Participants and the scope of Participants**

**(i) Basis for determining the Participants**

The Participants of the Incentive Scheme are determined in accordance with the relevant laws of the Company Law, the Securities Law, the

Guidelines and the Administrative Measures as well as the relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual situations. The Participants of the Incentive Scheme are the directors, senior management officers, other leading bodies, direct management officers of the Company and core technical personnel of the Company who are in office when the Scheme was implemented. The Participants of the Incentive Scheme do not include supervisors and independent directors. The employees participating in the Scheme shall achieve the performance appraisal results of grade B and above for the year prior to the announcement of the Scheme.

***(ii) Scope of Participants***

The First Grant under this Scheme involves no more than 262 Participants, including directors, senior management officers, other leading bodies, direct management officers of the Company and core technical personnel, etc. All Participants must be in employment with the Company or its subsidiary, or in positions within the Company or its subsidiary.

The Participants of the Reserved Grant shall be determined within 12 months after the review and approval of the Scheme by the general meeting of shareholders, and the Participants for the first time shall not be awarded repeatedly. Upon the proposal of the Board, the express opinions of the independent directors and the Board of supervisors, the professional opinions of the lawyers and the legal opinions, the Company shall disclose the relevant information of the Participants on the designated website in a timely and accurate manner as required. If the reserved part relates to related parties, the Company will then comply with all applicable Listing Rules to comply with the corresponding information disclosure or shareholder approval requirements (if necessary). If the Participants has not been determined for more than 12 months, the reserved rights and interests shall be invalidated.

All Participants of the Incentive Scheme cannot participate in any shares incentive scheme of other listed companies at the same time, and those who have participated in any Incentive Scheme of the listed companies shall be subject to withdrawal from the shares incentive scheme of other listed companies (or after signing a repurchase agreement with the original listed company) to participate in this Scheme.

**III. Number and Source of Shares under the Incentive Scheme**

***(i) Source of underlying shares***

The Incentive Scheme adopts Restricted Shares as incentive tools, the source of the underlying shares is the Company's ordinary A Shares issued by the Company.

***(ii) Number of underlying shares***

The total number of shares that may be granted under the Incentive Scheme shall not exceed 77.00 million shares, representing approximately 1% of the total share capital 7,700,681,200 Shares of the Company at the time of the announcement of this Scheme. Among which, the First Grant does not exceed 76.15 million Shares, representing 98.90% of the total grant, representing approximately 0.99% of the total share capital of the Company; and 0.85 million Shares will be reserved, representing 1.10% of the total grant, representing approximately 0.01% of the total share capital of the Company.

The number of restricted shares granted to any one of the Participant under the Incentive Scheme does not exceed 1% of the total share capital of the Company before the Scheme is submitted to the general meeting of Shareholders for consideration. The total amount of the Company's target shares involved in the Restricted Shares granted under this Scheme and other effective shares Incentive Scheme of the Company does not exceed 10% of the Company's total share capital.

**IV. The validity period, the date of grant, the locking period and the unlocking period of the Incentive Scheme**

***(i) Validity Period of the Incentive Scheme***

The Validity Period of the Incentive Scheme shall commence on the date of completion of the registration of the grant of Restricted Shares and end on the date of unlocking all the Restricted Shares or the repurchase of such Shares, which shall not exceed 72 months.

***(ii) The Grant Date of the Incentive Scheme***

The date of grant shall be determined by the Board after the Scheme is considered and approved at the general meeting of Shareholders and A Share and H Share Class Meeting, and must be a trading day. Within 60 days after the Incentive Scheme is considered and approved at the general meeting of Shareholders and A Share and H Share Class Meeting(excluding the dates that granting is not allowed in accordance with relevant laws, regulations and the Listing Rules), and the conditions for the grant are satisfied, the Company will grant the Restricted Shares, complete the registration and publish announcement. If the Company fails to complete the above work within 60 days, the implementation of the Scheme will be terminated.

The Restricted Shares shall not be granted to the Participants by the Company in the following periods:

- (a) within 60 days prior to the announcement of annual results of the Company, 30 days prior to the announcement of interim results or quarterly results, or the period from the end of the relevant financial year, interim or quarterly period to the announcement of the results (whichever is shorter); in the event that the date of

announcement of results has been postponed for special reasons, the period from 60 days prior to the originally appointed date of announcement of annual result of the Company, 30 days prior to the announcement of interim results or quarterly results, or the period from the end of the relevant financial year, interim or quarterly period to the announcement of the results (whichever is shorter);

- (b) within 10 days prior to the publication of the announcement of the performance forecast or the announcement of the preliminary performance results;
- (c) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's shares and their derivatives or the date on which relevant decision-making procedures start, and ending on the second trading day following the disclosure in accordance with the laws;
- (d) such other period as stipulated by the CSRC and the stock exchange.

The periods during which the Company is not allowed to grant Restricted Shares above shall not be included in the period of 60 days. The date of grant will comply with the Listing Rules (including the Mode Code).

***(iii) Lock-up Periods of the Incentive Scheme***

The lock-up period of the Restricted Shares shall be 24 months from the date of registration. The Restricted Shares shall be subject to selling restrictions, and shall not be transferred, pledged or used for repayment of debt during the lock-up period.

The shares and dividends obtained by the Participants due to the grant of the Restricted Shares not yet unlocked to them arising from capitalization issue, bonus issue, share sub-division, etc. shall be subject to locking in accordance with the Incentive Scheme. After lifting the lock-up period, the Company shall proceed with the unlocking for the Participants who satisfy the unlocking conditions, and the Restricted Shares which do not satisfy the unlocking conditions shall be repurchased by the Company.

***(iv) Unlocking Periods of the Incentive Scheme***

The table below sets out the unlocking period and unlocking schedule for the Restricted Shares under each grant:

<b>Unlocking Period</b>	<b>Description of the Unlocking Period</b>	<b>Percentage of the Restricted Shares to be unlocked of total number of the Restricted Shares granted</b>
First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of the grant of the registration is completed and ending on the last trading day of the 36-month period from the date of the grant of the registration is completed	33%
Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of the grant of the registration is completed and ending on the last trading day of the 48-month period from the date of the grant of the registration is completed	33%
Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date of the grant of the registration is completed and ending on the last trading day of the 60-month period from the date of the grant of the registration is completed	34%

(v) ***Black-out Period of the Incentive Scheme***

The black-out arrangement under the Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, regulations and regulatory documents as well as the Articles of Association. Specific contents are as follows:

- (a) Where an Incentive Participant is a director or a member of the senior management of the Company, the number of shares of the Company which may be transferred by the Incentive Participant each year during his term of office shall not exceed 25% of the total number of the shares of the Company held by him. No shares of the Company held by him shall be transferred within six months after his termination of office.
- (b) At the unlock of the last batch of Restricted Shares under the Scheme, 20% of the total amount of Restricted Shares (and the share dividends to be distributed in respect of such shares) will be granted to the directors and senior management of the Company, and such shares shall remain unlocked until the expiration of the term (or term of office) of the directors and senior management, subject to the results of assessment or financial responsibility auditing. If the directors or senior management fail to pass the assessment or the financial responsibility auditing finds that the operating performance is not true, state-owned assets are lost, there are dereliction in operation and management and there are major violations of law and discipline, the Company shall have the right to recover the rights and interests (or equity incentive gains obtained) that have been exercised during the term of office of the relevant responsible person.
- (c) Where an Incentive Participant is a director or a member of the senior management of the Company and he/she disposes of any shares of the Company within six months after acquisition or buys-back of such shares within six months after disposal, all gains arising therefrom shall be accounted to the directors or senior management the Company and the Board will recover all such gains.
- (d) If, during the validity period of the Incentive Scheme, there is any amendment to the requirements regarding transfer of shares by a director and a member of the senior management of the Company under the Company Law, the Securities Law, the Listing Rules (including the Model Code) and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Incentive Participants during the relevant times.



## **V. The grant price of the restricted shares and its basis of determination**

### ***Grant price***

The grant price of the Restricted Shares under grant shall be RMB2.29 per share. Upon fulfillment of grant conditions, each Participant is entitled to acquire Restricted Share by the Company at the price of RMB2.29 per share.

### ***Basis of determining the grant price***

The pricing base date of the Restricted Shares under grant shall be the date of announcement of the Scheme. The grant price shall not be lower than the carrying amount of the A Shares, and not lower than 60% of the higher of the followings:

- (i) The average trading price of the Company's target share on the trading day before the announcement of the Scheme;
- (ii) The average trading price of the Company's target share 20 trading days before the announcement of the Scheme.

## **VI. Conditions of grant and unlocking of the rights and interests of the Participants**

### ***(i) Conditions of grant of the Restricted Shares***

The Restricted Shares shall be granted to the Participants by the Company upon satisfaction of all the following conditions. In other words, the Restricted Shares cannot be granted to the Participants if any of the following conditions of grant is not satisfied.

- (a) There is no occurrence of any of the following events on the part of the Company:
  - (1) failure to conduct auditing by engaging accounting firms in accordance with specified procedure and requirements;
  - (2) material objections on the results or annual financial report of listed companies proposed by state-owned assets management authorities, the supervisory committee or audit department;
  - (3) occurrence of material violation of regulations punished by the securities supervision and management authorities or other relevant departments;
  - (4) issue of an auditors' report with adverse opinion or indicates an inability to give opinion by a certified public accountant with respect to the internal control or the annual financial audit report of the Company;

- (5) failure to conduct profit distribution in accordance with the laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
  - (6) prohibition from implementation of A share Incentive Scheme by laws, rules and regulations;
  - (7) other circumstances as determined by the CSRC.
- (b) There is no occurrence of any of the following events on the part of the Participants:
- (1) results of economic duty audit report indicating inefficient performance or severe negligence or dereliction of duties;
  - (2) violation of provisions under relevant laws and regulations of the PRC or the Articles of listed companies;
  - (3) violations of laws and regulations including acceptance or claim of bribery, corruption and theft, leak of business and technical secrets of listed companies, execution of connected transactions causing damages to interests and reputation of listed companies and adverse impact on the image of listed companies and issue of penalties accordingly;
  - (4) non-performance or improper performance of duties causing relatively material asset loss or other severe adverse consequences to listed companies;
  - (5) having been determined to be an inappropriate candidate by the stock exchange in the past 12 months;
  - (6) having been determined to be an inappropriate candidate by the CSRC or its local counterparts in the past 12 months;
  - (7) having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local counterparts in the past 12 months due to material violation of laws and regulations;
  - (8) being prohibited from acting as a director or senior management member of the Company by the Company Law;
  - (9) being prohibited from participating in any share Incentive Scheme of listed companies by laws and regulations;
  - (10) other circumstances as determined by the CSRC.



***(ii) Conditions for unlocking of the Restricted Shares***

The Restricted Shares shall be unlocked upon satisfaction of all the following conditions by the Company.

- (a) There is no occurrence of any of the following events on the part of the Company:
- (1) failure to conduct audit by engaging accounting firms in accordance with specified procedure and requirements;
  - (2) material objections on the results or annual financial report of listed companies proposed by state-owned assets management authorities, the supervisory committee or audit department;
  - (3) occurrence of material violation of regulations punished by the securities supervision and management authorities or other relevant departments;
  - (4) issue of an auditors' report with adverse opinion or indicates an inability to give opinion by a certified public accountant with respect to the annual financial audit report or the internal control report of the Company;
  - (5) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
  - (6) prohibition from implementation of share incentive scheme by laws, rules and regulations;
  - (7) other circumstances as determined by the CSRC.

The Scheme shall be terminated immediately if any of the above events occurs, and all the Restricted Shares that have not been unlocked shall be repurchased by the Company with the price being the lower of the grant price and the market price of shares. The market price is the average trading price of the Company's shares on the trading day before consideration of the repurchase by the Board.

- (b) There is no occurrence of any of the following events on the part of the Participants:
- (1) results of economic duty audit report indicating inefficient performance or severe negligence or dereliction of duties;
  - (2) violation of provisions under the relevant laws and regulations of the PRC or the articles of the listed company;

- (3) violations of the laws and regulations including acceptance or claim of bribery, corruption and theft, leak of business and technical secrets of the listed company, execution of connected transactions causing damages to interests and reputation of the listed company and adverse impact on the image of the listed company, and issue of penalties accordingly;
- (4) non-performance or improper performance of duties causing relatively material asset loss or other severe adverse consequences to the listed company;
- (5) having been determined to be an inappropriate candidate by the stock exchange in the past 12 months;
- (6) having been determined to be an inappropriate candidate by the CSRC or its local counterparts in the past 12 months;
- (7) having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local counterparts in the past 12 months due to material violation of laws and regulations;
- (8) being prohibited from acting as a director or senior management member of the Company by the Company Law;
- (9) being prohibited from participating in any share Incentive Scheme of the listed company by laws and regulations;
- (10) other circumstances as determined by the CSRC.

Where Participants have any of the circumstances specified in the above subparagraph (1) to (4), Restricted Shares that have not been unlocked shall be repurchased by the Company with the price being the lower of the grant price and the market price of shares and equity incentive gains received by them arising from the unlocking shall also be recovered, together with corresponding responsibilities imposed upon Participants in accordance with the laws and relevant regulations. Where Participants have other circumstances above, Restricted Shares held by them shall be repurchased by the Company at the grant price. The market price is the average trading price of the Company's shares on the trading day before consideration of the repurchase by the Board.

(c) Performance appraisal at company level:

- (1) The performance appraisal targets of the unlocking period of Restricted Shares under the Incentive Scheme are shown in the following table:

<b>Unlocking Period</b>	<b>Performance conditions</b>
First Unlocking Period	Cash return on net assets for 2022 shall not be less than 22% and shall not be less than 75 fractiles of benchmark enterprise; the compound growth rate of gross profit (after deduction of any extraordinary gain or loss) (based on benchmark year) for 2022 shall not be less than 7%, and shall not be less than 75 fractiles of benchmark enterprise; the annual EVA appraisal target set by the Board for 2022 shall be achieved, and meanwhile the improved EVA value (compared with 2020) shall not be less than RMB250 million;
Second Unlocking Period	Cash return on net assets for 2023 shall not be less than 24% and shall not be less than 75 fractiles of benchmark enterprise; the compound growth rate of gross profit (after deduction of any extraordinary gain or loss) (based on benchmark year) for 2023 shall not be less than 7%, and shall not be less than 75 fractiles of benchmark enterprise; the annual EVA appraisal target set by the Board for 2023 shall be achieved, and meanwhile the improved EVA value (compared with 2020) shall not be less than RMB350 million;
Third Unlocking Period	Cash return on net assets for 2024 shall not be less than 28% and shall not be less than 75 fractiles of benchmark enterprise; the compound growth rate of gross profit (after deduction of any extraordinary gain or loss) (based on benchmark year) for 2024 shall not be less than 10%, and shall not be less than 75 fractiles of benchmark enterprise; the annual EVA appraisal target set by the Board has for 2024 shall be achieved, and meanwhile the improved EVA value (compared with 2020) shall not be less than RMB600 million;

*Notes:* 1. Benchmark year refers to the previous financial year before the year to which the date of issue of the draft of the Incentive Scheme belongs; 2. Cash return on net assets = annual EBITDA/average net annual assets, EBITDA = total profit + finance cost + depreciation and amortization provided for the current period; 3. In addition to the above performance appraisal indicators, the Board can adjust the unlocking ratio in the corresponding performance appraisal year in accordance with the completion of relevant internal assessment indicators.

(2) Selection of benchmark enterprises in respect of appraisal on granting and unlocking of the Restricted Shares

Based on the industry classification of the Shenwan, the Company is included in the “SW – Iron & Steel – General steel” industry. The Company selected 21 companies (excluding the Company) that are also vested as benchmark enterprises in the same industry. The names of benchmark enterprises are as follows:

Stock code	Stock name	Stock code	Stock name
603878.SH	Wujin Stainless	000717.SZ	SGIS Songshan
600581.SH	Xinjiang Ba Yi Iron & Steel	000761.SZ	Bengang Steel
600010.SH	Baotou Steel	600307.SH	Jiu Steel
600231.SH	Lingyuan Iron & Steel	601003.SH	Liuzhou Iron & Steel
601005.SH	Chongqing Iron & Steel	000709.SZ	Hebei Iron & Steel
600569.SH	Anyang Iron and Steel	600282.SH	Nanjing Iron & Steel
600022.SH	Shandong Iron	600782.SH	Xinyu Iron and Steel
600126.SH	Hangzhou Steel	002110.SZ	Sansteel MinGuang
000932.SZ	Hunan Valin Steel	000778.SZ	Xinxing Pipes
000898.SZ	Angang	000959.SZ	Shougang
600019.SH	Baosteel		

During the performance appraisal process of unlocking, if there are excessive fluctuations in the performance of the benchmark samples (under the influence of non-productive factors and others), which causes statistical outliers, i.e. the value significantly deviates from most of the value of the benchmark samples, resulting in a weakened evaluation of the benchmark, the Board of the Company may remove, change or add relevant samples to reflect the authenticity of the benchmark assessment.

(3) Handling of failure to pass the performance appraisal objectives of the unlocking period

In case of failure to pass the performance appraisal objectives of the unlocking period in any appraisal year under the Incentive Scheme, all Restricted Shares of the corresponding performance appraisal year shall be repurchased by the Company at the lower of the grant price or the market price. The market price is the average trading price of the Company’s share on the trading day before consideration of the repurchase by the Board.

(d) Performance appraisal at individual level of the Participants

According to the Performance Assessment Measures for the 2021 Restricted A Share Incentive Scheme formulated by the Company, the Participants are eligible to unlock partial or all Restricted A Shares for the current year only upon satisfaction of conditions of performance appraisal in the corresponding appraisal year. Individual performance appraisal coefficient and the unlocking ratio are determined based on the results of individual performance appraisal in the corresponding accounting year during which the performance appraisal at company level was conducted, and details are subject to the Agreement on Grant of Restricted Shares signed by the Company and the Participants.

The relation between the results of annual individual performance appraisal and the unlocking ratio is as follows:

Performance results	AAA	AA	A	B	C
Appraisal coefficient of individual performance		1.0		0.8	0

The Participants are eligible to unlock the Restricted Shares for the current year only after they are up to standard in the assessment for the appraisal year. Actual unlocked individual quota in current year = individual performance appraisal coefficient × individual quota planned to unlock in current year (determined in accordance with the unlocking ratio in the corresponding performance assessment for the appraisal year approved by the Board). Restricted Shares not unlocked for the current year will be repurchased at the lower of the grant price and the market price of shares. The market price is the average trading price of the Company's share on the trading day before consideration of the repurchase by the Board.

***(iii) Scientificity and reasonableness of the appraisal indicators***

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

According to relevant requirements of the SASAC of the State Council, performance indicators shall comprise comprehensive indicators reflecting shareholders' return and corporate value creation, indicators reflecting sustainable development capability of an enterprise and indicators reflecting operation quality of an enterprise. Based on the above requirement, the Company has integrated market practices of state-owned enterprises and Company's industry characteristics in the Incentive Scheme and selected performances indicators in line with the reality of the Company as performance appraisal indicators of the Company at company level for the unlocking of Restricted Shares. Such indicators include cash return on net assets, the compound growth rate of gross profit (after deduction of any extraordinary gain or loss) and EVA. The standardized system forms core financial indicators of the Company and reflects the Company's shareholders' return, production efficiency, growth ability and corporate value creation capability. The Company reasonably set the performance targets for the Incentive Scheme after reasonable forecast and consideration of the incentive effect of the Incentive Scheme.

In addition to the performance appraisal at company level, the Company has established an efficient performance appraisal system for individuals, which evaluates the performance of the Participants in an accurate and all-round manner. The Company will determine whether the Participants meet the unlocking conditions based on their performance results for the year under appraisal.

Given the above, appraisal system is all-round, comprehensive and operable for the Incentive Scheme, and performance indicators are scientific and reasonable, which are binding on the Participants and serve the appraisal goal of the Incentive Scheme.

## VII. METHODS AND PROCEDURES FOR ADJUSTMENT OF THE INCENTIVE SCHEME

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

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from the date of the announcement on the Incentive Scheme to the completion of registration of the Restricted Shares by the Participants, the number of the Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

#### *(1) Issue of shares by capitalisation issue, bonus issue and sub-division of shares*

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

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

#### *(2) Rights issue*

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

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

#### *(3) Share consolidation*

$$Q = Q_0 \times n$$

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



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

In the event of any capitalisation issue, bonus issue, sub-division, rights issue, share consolidation or dividend distribution of the Company in the period from the date of the announcement to the completion of registration of the Restricted Shares by the Participants, the grant price of the Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

**(1) Issue of shares by capitalisation issue, bonus issue and sub-division of shares**

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

Where:  $P_0$  represents the grant price before the adjustment;  $n$  represents the ratio of increase per share resulting from capitalisation issue, bonus issue and sub-division of shares;  $P$  represents the adjusted grant price.

**(2) Rights issue**

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

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

**(3) Share consolidation**

$$P = P_0 \div n$$

Where:  $P_0$  represents the grant price before the adjustment;  $n$  represents the ratio of consolidation of shares;  $P$  represents the adjusted grant price.

**(4) Dividend distribution**

$$P = P_0 - V$$

Where:  $P_0$  represents the grant price before the adjustment;  $V$  represents the dividend per share;  $P$  represents the adjusted grant price.  $P$  shall be greater than 1 after the dividend distribution.

**(5) Under the circumstance of additional issue of new shares, no adjustment will be made to the grant price of the Restricted Shares.**

***(iii) Adjustment procedures for the Restricted Share Incentive Scheme***

The general meeting of the Company shall authorize the Board to adjust the number or the grant price of Restricted Shares upon the occurrence of any of the above circumstances. Adjustment to the number of Restricted Shares, the grant price or other terms in the event of other circumstances shall be proposed to the Board for consideration and then for re-approval at the general meeting.

The lawyer engaged by the Company shall give professional advice on whether such adjustment is in compliance with the provision of relevant documents of CSRC or relevant regulatory authorities, the Articles of Association and the Incentive Scheme.

**VIII. HANDLING UNUSUAL CHANGES**

***(i) Handling Unusual Changes to the Company***

The Scheme shall be terminated immediately if any of the following events occurs to the Company, and the restricted shares which are not yet unlocked shall not be unlocked and shall be repurchased in the lower price between grant price and market price by the Company. The market price is the average trading price of the Company's share on the trading day before consideration of the repurchase by the Board.

- (1) Failing to employ an Accounting firm to carry out audit in accordance with the prescribed procedures and requirements;
- (2) The state-owned assets supervision and administration institution, the board of supervisors or the audit department raise major objections to the performance or annual financial report of the listed company;
- (3) In case of material violations, punishment was made by the securities regulatory agency and other relevant departments;
- (4) Issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the annual financial report or the internal control report of the Company;
- (5) Failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
- (6) Prohibition from implementation of A share Incentive Scheme by laws and regulations;
- (7) Other circumstances determined by the CSRC.

**(ii) *The Scheme shall be implemented normally if any of the following events occurs to the Company:***

- (1) change in control of the Company;
- (2) merger, spin-off and other condition of the Company.

**(iii)** Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for unlocking of the Restricted Shares, all unlocked Restricted Shares shall be repurchased by the Company. In respect of the Restricted Shares already unlocked by the Incentive Participants, the Incentive Participants concerned shall return to the Company all share-incentive interests. The Incentive Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the Restricted Shares granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Incentive Scheme.

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

**(iv) *Change in personal particulars of the Incentive Participants***

1. In case an Incentive Participant has a change in job position but still works in the Company or a holding subsidiary of the Company, the Restricted Shares granted to him/her shall be processed in the following manners in accordance with the decision of the Company:
  - (1) fully assessed and unlocked by the procedures as specified before the change of his/her job position;
  - (2) repurchase by the Company at the grant price.
2. The Incentive Participants who have terminated or cancelled their labour relationship with the Company due to death, retirement, arrangement of post beyond their control, the original time and conditions for unlocking remain unchanged. The unlocking ratio shall be determined in accordance with the term of the Incentive Participants in the corresponding performance years. The remaining Restricted Shares which have yet to arrive time limit of unlocking and the performance evaluation conditions are no longer unlocked, and shall be repurchased by the Company based on the sum of granted price plus the interests on fixed deposit in bank for the same period. The market price is the average trading price of the Company's share on the trading day before consideration of the repurchase by the Board.

3. If the Incentive Participants resign or the employment relationship is terminated due to personal reasons, the Company shall repurchase the locked Restricted Shares with the lower value between the grant price and the market price.
4. When the Incentive Participants become independent director(s) or supervisor(s) who are unable to hold the Company's Restricted Shares, the Restricted Shares that have not been unlocked from the Incentive Participants shall be repurchased by the Company according to the sum of the grant price and the bank fixed deposit interest in the same period.
5. When any of the following events occurs to a Participant, he/she shall return the gains from the Scheme to the Company. Restricted Shares that have not yet unlocked shall be repurchased by the Company at the lower price of the grant price and market price. The market price is the average trading price of the Company's share on the trading day before consideration of the repurchase by the Board.
  - (1) Financial responsibility auditing and other results show that they fail to perform their duties effectively or are seriously negligent in their duty or commit professional misconduct;
  - (2) During the term of office, Participant has taken bribes and demanded bribes, embezzled and stolen, disclosed the commercial and technical secrets of the listed company, carried out related party transactions, damaged the interests and reputation of the listed company, and has a significant negative impact on the image of the Company, and has been punished;
  - (3) Failing to perform or failing to perform correctly its duties, causing a large loss of assets and other serious adverse consequences to the Company;
  - (4) There are conducts violating the national laws and regulations, occupational ethics, or negligence of duty or professional misconduct, which cause severe damage to the interests or the reputation of the Company and cause financial losses or negative effect, direct or indirect, to the Company;
  - (5) Where a Participant is dismissed due to violation of the Company's rules and regulation to a severe extent in accordance with relevant provisions of the Company's reward and punishment management;
  - (6) Where the Participant is prosecuted as a result of criminal offence;
  - (7) Where the Participant causes improper losses to the Company as a result of violating the relevant laws and regulations or the Articles of Association.
6. The Board of Directors shall refer to the Guidelines to determine the handling methods for other situations not herein specified.

(v) ***Resolution of disputes between the Company and the Participants***

If disputes arise between the Company and the Participants, the disputes shall be settled in accordance with the Scheme and the provisions of Share Option Incentive Agreement (《股票期權激勵協議書》); if such provisions are unclear, the parties shall solve the disputes through negotiation in accordance with PRC laws and in the principle of fairness and reasonableness; and if the negotiation fails, the disputes shall be submitted to the People's Court with justification in the domicile of the Company for settlement through litigation.

**IX. PRINCIPLES OF REPURCHASE OF THE RESTRICTED SHARE**

(i) ***Method for adjustment of repurchase quantity***

In the event that, after completion of the registration of the Restricted Shares, the Company incurs any capitalization issue, bonus issue, share to the Participants, the Company incurs any capitalization issue, bonus issue, share spilt, rights issue, consolidation of shares or any other activity, adjustment to the repurchase quantity of the Restricted Shares yet to be unlocked shall be made by the Company accordingly. The adjustment method is shown below:

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

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

Where:  $Q_0$  represents the number of Restricted Shares prior to adjustment;  $n$  represents the rate of increase per share resulting from capitalization issue, bonus issue and sub-division of share capital (i.e. the increase in number of shares per share upon capitalization issue, bonus issue and sub-division of the share capital);  $Q$  represents the number of 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 Restricted Shares prior to adjustment;  $P_1$  represents the closing price on the record date;  $P_2$  represents the price of rights issue;  $n$  represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue);  $Q$  represents the number of Restricted Shares after adjustment.

3. *Share consolidation*

$$Q = Q_0 \times n$$

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

4. In the event of new issue of shares, no adjustment shall be made to the number of Restricted Shares.

**(ii) Method for adjustment of repurchase price**

If the Company repurchases and cancels the Restricted Shares under the requirements of the Scheme, the repurchase price represents the grant price except the grant price needed to adjust, unless otherwise provided by related provisions of the Scheme.

Upon completion of registration of the Restricted Shares granted to the Participants, in case of capitalization issue, bonus issue, stock split, rights issue, share consolidation, dividend distribution or any other matters that affecting the total share capital or share price of the Company, in respect of the Restricted Shares granted but not yet unlocked, the repurchase price shall be adjusted by the Company.

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

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

Where:  $P$  represents the number of Restricted Shares after adjustment;  $P_0$  represents the grant price per Restricted Share;  $n$  represents the rate of increase per share resulting from capitalization issue, bonus issue and subdivision of share capital (i.e. the increase in number of shares per share upon capitalization issue, bonus issue and sub-division of the share capital).

2. *Rights issue*

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

Where:  $P_1$  represents the closing price of shares on the record date;  $P_2$  represents the price of rights issue;  $n$  represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

### 3. *Share consolidation*

$$P = P_0 \div n$$

Where: P represents the number of Restricted Shares after adjustment,  $P_0$  represents the grant price per Restricted Share; n represents the ratio of share consolidation per share (i.e. one share shall be consolidated into n share).

4. In the event of new issue of shares, no adjustment shall be made to the repurchase price of Restricted Shares.

### **(iii) Procedures of repurchase**

The Board of Directors of the Company shall, within the scope authorized by the general meeting of Shareholders, timely review the repurchase scheme related to the above provisions. If the matters involved need the approval of the general meeting of Shareholders, it shall be submitted to the general meeting of Shareholders for deliberation. The repurchase under the Incentive Scheme, the Company shall apply to the Stock Exchange for unlocking such Restricted Shares. Securities registration and clearing institution will conduct registration and settlement procedure thereof upon confirmation by the stock exchange.

## **2. PROPOSED GRANT UNDER THE INCENTIVE SCHEME**

Major terms of the proposal in respect of the Proposed Grant of the Restricted Shares are set out in details in this section. Relevant requirements of the proposal of the Proposed Grant of the Restricted Shares shall also comply with the restrictive provisions under the Incentive Scheme. Other requirements not provided for in the proposal in respect of the Proposed Grant of Restricted Shares shall be determined with reference to the relevant terms under the Incentive Scheme.

### **(I) Number of underlying Shares in relation to the Restricted Shares under the Proposed Grant**

The total number of the Restricted Shares that may be granted under the Scheme shall be no more than 77 million shares, representing 1% of the Company's total share capital of 7,700,681,200 shares as at the reporting date of the Scheme, of which no more than 76.15 million shares will be granted under the First Grant, representing 98.90% of the total equity of this grant and 0.99% of the Company's total share capital; and 850,000 shares will be reserved, representing 1.10% of the total equity of this grant and 0.01% of the Company's total share capital.

The number of Restricted Shares granted to any one of the Participant under the Incentive Scheme does not exceed 1% of the total share capital of the Company before the Scheme is submitted to the general meeting of Shareholders for consideration. The total amount of the Company's target shares involved in the Restricted Shares granted under this Scheme and other effective shares Incentive Scheme of the Company does not exceed 10% of the Company's total shares.



The Company does not have any plans to grant further Restricted Shares, in addition to the proposed 77 million Restricted Shares, within the limit of 10% of the Company's total share capital. In the event that the Company decides to grant additional Restricted Shares within the limit of 10% of the Company's total share capital, such grant will comply with the requirements under the Stock Exchange and the Shanghai Stock Exchange, further announcement(s) will be made by the Company regarding such grant as and when appropriate.

**(II) Number of underlying shares in relation to the Restricted Shares under the Proposed Grant**

The total number of proposed Participants for the First Grant under this Scheme is no more than 262, including directors, senior management, other members of the leading group, direct management of the Company and core technical personnel, etc. The table below sets out the allocation of Restricted Shares to be granted to each Incentive Participate (the following percentages are rounded):

Name	Position	Number of Restricted Share (0'000 Shares)	Approximate percentage to the total number of Restricted Shares to be granted (including Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of announcement on the Incentive Scheme
Ding Yi (丁毅)	Chairman	85	1.10%	0.01%
Mao Zhanhong (毛展宏)	Deputy General Manager	60	0.78%	0.01%
Ren Tianbao (任天寶)	Deputy General Manager	60	0.78%	0.01%
Fu Ming (伏明)	Deputy General Manager	60	0.78%	0.01%
Zhang Maohan (章茂哈)	Deputy General Manager	60	0.78%	0.01%
He Hongyun (何紅雲)	Secretary to the Board	33	0.43%	0.004%

Name	Position	Number of Restricted Share (0'000 Shares)	Approximate percentage to the total number of Restricted Shares to be granted (including Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of announcement on the Incentive Scheme
Other core management, technical personnel (256 staff)		7,257	94.25%	0.94%
Total of initial grant (262 staff)		7,615	98.90%	0.99%
Reserved		85	1.10%	0.01%
Total		7,700	100.00%	1.00%

*Notes:*

- (1) None of the Participants has participated in two or more share incentive schemes of listed companies, and none of the Participants is a substantial shareholder or de-facto controller holding more than 5% of the equity interests of the Company (or their spouses or parents or children).
- (2) During the Validity Period of the Incentive Scheme, the expected return level of individual equity incentives for senior management shall be implemented in strict accordance with relevant national policies and regulations. The salary level of senior management shall be determined in accordance with the Company's performance appraisal and salary management methods with reference to the principles and regulations of the state-owned assets regulatory and administrative authorities or department.

Under the First Grant, certain Participants are Directors or chief executive officers of the Company or certain subsidiaries of the Company and hence a connected person (including connected person at subsidiary level) of the Company. Details of the aforesaid grant of Restricted Shares are as follows:

Name	Connected relationship	Number of Restricted Shares (0,000 shares)	Approximate percentage to the total number of Restricted Shares to be granted (including Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of announcement on the Incentive Scheme
Ding Yi	Chairman of the Company	85	1.10%	0.011%
Mao Zhanhong	Senior executive of the Company	60	0.78%	0.008%
Ren Tianbao	Director of the Company	60	0.78%	0.008%
Fu Ming	Senior executive of the Company	60	0.78%	0.008%
Zhang Maohan	Senior executive of the Company	60	0.78%	0.008%
Wang Guangya	Director of a subsidiary	45	0.58%	0.006%
He Hongyun	Senior executive of the Company	33	0.43%	0.004%
Xing Qunli	Director and Supervisor of a subsidiary	39	0.51%	0.005%
Xu Jikang	Director of a subsidiary	28	0.36%	0.004%
Zhang Jian	Director of a subsidiary	28	0.36%	0.004%
Zhang Yongxiang	Director of a subsidiary	39	0.51%	0.005%
Zhao Yong	Director of a subsidiary	39	0.51%	0.005%
Yu Zhousong	Director of a subsidiary	28	0.36%	0.004%
Zhao Yunlong	Director of a subsidiary	28	0.36%	0.004%
Zhang Yong	Director of a subsidiary	28	0.36%	0.004%
Cao Tianming	Director of a subsidiary	39	0.51%	0.005%
Zhang Weiming	Director of a subsidiary	28	0.36%	0.004%
Wang Wenbao	Director of a subsidiary	39	0.51%	0.005%
Zhang Feng	Director of a subsidiary	39	0.51%	0.005%
Ma Chunfeng	Director of a subsidiary	28	0.36%	0.004%
Li Tong	Director of a subsidiary	39	0.51%	0.005%
Le Zhihai	Director of a subsidiary	28	0.36%	0.004%
Nie Qingwen	Supervisor of a subsidiary	28	0.36%	0.004%
Xu Jun	Director of a subsidiary	39	0.51%	0.005%
An Tao	Director of a subsidiary	39	0.51%	0.005%

<b>Name</b>	<b>Connected relationship</b>	<b>Number of Restricted Shares (0,000 shares)</b>	<b>Approximate percentage to the total number of Restricted Shares to be granted (including Reserved Grant)</b>	<b>Approximate percentage to the total number of Shares in issue as at the date of announcement on the Incentive Scheme</b>
Li Xiang	Director of a subsidiary	39	0.51%	0.005%
Yang Xiao	Supervisor of a subsidiary	28	0.36%	0.004%
Liu Aibing	Director of a subsidiary	28	0.36%	0.004%
Chen Deli	Relative of a connected person	28	0.36%	0.004%
Lu Qiang	Director of a subsidiary	20	0.26%	0.003%
Fang Jinrong	Supervisor of a subsidiary	39	0.51%	0.005%
Guo Fei	Director of a subsidiary	39	0.51%	0.005%
Xia Shiqing	Director of a subsidiary	22	0.29%	0.003%
Su Long	Supervisor of a subsidiary	22	0.29%	0.003%

All the above-mentioned incentive targets shall abstain from voting on Shareholders' resolutions on adoption of Incentive Scheme and Proposed Grant of Restricted Shares to connected persons under the First Grant pursuant to the Incentive Scheme.

The number and identity of the proposed Participants for the Reserved Grant of Restricted Shares under the Incentive Scheme have not been determined. As set out under paragraph headed "1. Restricted A Shares Incentive Scheme – II. Basis for determining the Participants and the scope of Participants – (ii) Scope of Participants" in this announcement, Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Upon determination of the Participants for the Reserved Grant, further announcement(s) will be made by the Company regarding the details of those Participants as and when appropriate. If any Participants are connected persons of the Company, the Company will comply with the relevant requirements under the Listing Rules where applicable.

### **(III) Date of grant**

The date of grant shall be determined by the Board after the Scheme is considered and passed at the general meeting, and A Shares and H Shares Class meeting of the Company, and must be on a trading day. The Company shall grant the Restricted Shares and complete the registration and announcement procedures within 60 days after the date on which the Scheme is considered and passed at the general meeting and A Shares and H Shares Class meeting of the Company and the date of achievement of grant conditions (excluding the date that may not be granted according to relevant laws, regulations and Listing Rules). If the Company fails to complete the above work within 60 days, the implementation of the Scheme will be terminated.

The Company shall not grant Restricted Shares to Incentive Participants during the following periods:

- (a) the period commencing from 60 days prior to the publication of annual result announcement, 30 days prior to the publication of interim result announcement, or the period from the end of relevant fiscal year, to the date of interim result announcement (whichever is shorter). In the event of delay in publishing the result announcement for special reasons, 60 days prior to the publication of annual result announcement, 30 days prior to the publication of interim result announcement, or the period from the end of relevant fiscal year, to the date of interim result announcement (whichever is shorter);
- (b) the period commencing from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- (c) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's shares and their derivatives or the date on which relevant decision-making procedures begin, to the second trading day following the disclosure of such event as required by the laws;
- (d) other time as stipulated by the CSRC and the stock exchange.

The abovementioned period during which the Company is not allowed to grant Restricted Shares is not included in the period of 60 days. The date of grant shall comply with the Listing Rules (including the Model Code).

#### **(IV) Grant price and methods of determination**

The grant price of the Restricted Shares under grant shall be RMB2.29 per share. Upon fulfillment of grant conditions, each Participant is entitled to acquire Restricted Share by the Company at the price of RMB2.29 per share.

The pricing base date of the Restricted Shares under grant shall be the date of announcement of the Scheme. The grant price shall not be lower than the carrying amount of the Shares, and not lower than 60% of the higher of the followings:

- (i) the average trading price of the Company's target share on the trading day before the announcement of the Scheme;
- (ii) the average trading price of the Company's target share 20 trading days before the announcement of the Scheme.

#### ***Procedures of the Incentive Scheme becoming effective***

The Board of the Company shall make a resolution the Incentive Scheme. When the Board considers the Scheme, the directors who are Incentive Participants or the directors with whom they have a related relationship shall abstain from voting. The Board shall, after reviewing and passing the Scheme and performing the publicity and announcement procedures therefor, submit the Scheme to the general meeting for consideration; meanwhile, the Board shall seek for authorization from the general meeting to be responsible for the implementation of the grant, unlocking and repurchase of Restricted Shares.

The independent Directors and the Supervisory Committee shall issue independent opinions on whether the Scheme facilitates the sustainable development of the Company and whether the Scheme obviously impairs the interests of the Company and the Shareholders as a whole; the independent financial consultant as engaged by the Company shall issue professional opinions on the feasibility of the Scheme, whether it is conducive to the sustainable development of the Company, whether it damages the interests of the Company and the impact on the interests of shareholders.

The Scheme shall be implemented upon consideration and approval at the SASAC of the State Council and the general meeting of the Company (including A Share and H Class Meeting). Before the general meeting of the Company is convened the Company shall internally publish the list of the Incentive Participants for a period of no less than 10 days by Company's website or other ways. The Supervisory Committee shall review the list of Incentive Participants and fully listen to the opinions from the public. The Company shall publish the opinions of the Supervisory Committee on the review and the public opinions in relation to the list of the Incentive Participants 5 days before the Scheme is considered at a general meeting of the Company.

When a general meeting of the Company is convened to vote on the Scheme, the independent directors shall solicit proxy voting rights from all Shareholders regarding the Scheme. At the general meeting, it is required to vote on the Incentive Scheme under Article 9 of the Management Measures, and the Incentive Scheme shall be passed by more than 2/3 of the voting rights held by the Shareholders present at the meeting, separately count and disclose the voting situation of other Shareholders except Directors, supervisors, senior managers and Shareholders holding more than 5% shares of the Company individually or jointly. When the Scheme is considered at the Company's general meeting, Shareholders who are Incentive Participants or Shareholders who have a related relationship with the Incentive Participants shall abstain from voting thereon.

When the Company's general meeting of shareholders deliberates the Scheme, the Shareholders who are the Incentive Participants or the Shareholders who are related to the Incentive Participants shall avoid voting. When the Scheme is deliberated and approved by the general meeting of Shareholders of the Company and meets the grant conditions specified in the Scheme, the Company shall grant Restricted Shares to the Incentive Participants within the specified time. After being authorized by the general meeting of Shareholders, the Board of Directors shall be responsible for the grant, release and repurchase of Restricted Shares.

### **3. RESOLUTION ON THE AUTHORIZATION TO THE BOARD TO DEAL WITH THE ISSUES REGARDING THE SHARE INCENTIVE SCHEME AT THE GENERAL MEETING**

In order to ensure the smooth implementation of the 2021 Restricted Share Incentive Scheme of the Company, the Board of the Company has approved to seek for authorization to the Board to deal with the issues regarding the Restricted Share Incentive Scheme at the extraordinary general meeting:

- (1) Proposal to the general meeting of the Company to authorise the Board to deal with the following issues regarding the Incentive Scheme:
  - 1) to issue no more than 77 million A Shares as the Restricted Shares under the Incentive Scheme.
  - 2) to determine the date of grant of the Incentive Scheme.
  - 3) to adjust the quantity and the grant price of the Restricted Shares in accordance with the methods specified in the Incentive Scheme in the event of any capitalisation issue, bonus issue, subdivision, share consolidation, rights issue or distribution of dividends of the Company.
  - 4) to grant Restricted Shares to the Incentive Participants when they become eligible and to deal with all matters necessary for the grant of Restricted Shares.



- 5) to review and confirm the unlocking qualifications and conditions of the Incentive Participants, to determine whether the Incentive Participants can be subject to unlocking, and to deal with all matters necessary of the unlocking for the Incentive Participants.
  - 6) to proceed with the procedures including the change and termination of the Incentive Scheme, including but not limited to the disqualification of the Incentive Participants for unlocking, the repurchase of the unlocked restricted shares of the Incentive Participants, and the amendment to the Articles of Association accordingly, and the business registration for the changes in registered capital of the Company.
  - 7) to manage and adjust the Incentive Scheme in accordance with the terms of the Incentive Scheme, including but not limited to the adjustment to the benchmark enterprise samples involved in the Incentive Scheme, save for the formulations or amendments that are subject to approval at the general meeting or/and by relevant regulatory authorities under the laws, regulations or the requirements of relevant regulatory authorities.
  - 8) to resolve or handle other necessary matters required for the implementation of the Incentive Scheme, including but not limited to the amendments to the Articles of Association and the business registration for the changes in registered capital of the Company, save for rights expressly stipulated in relevant legal documents which are required to be exercised (and shall not be delegated, if applicable) by the general meeting.
- (2) Proposal to the general meeting of the Company to authorise the Board to handle procedures for consideration, registration, filing, approval, etc. regarding the Incentive Scheme to sign, implement, modify and complete documents submitted to relevant governments, institutions, organizations and individuals, and take all actions the Board considers necessary, appropriate or suitable for the purpose of the Incentive Scheme;
  - (3) Proposal to the general meeting of the Company to approve on the consistency of the term granted to the Board with the validity period of the Incentive Scheme.

The abovementioned authorizations can be directly exercised by the chairman or the appropriate person authorized by the chairman on behalf of the Board other than those subject to resolution by the Board as expressly stipulated in laws, administrative regulations, rules, normative documents, the Incentive Scheme or the Articles of Association.

## **INFORMATION ABOUT THE COMPANY**

The Company is one of the largest iron and steel producers and sellers in China. Its major businesses are productions and sales of iron and steel products.

## **REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME**

Please refer to the section headed “Purpose and Principle” of this announcement.

The Incentive Scheme aims to further develop and improve the long-term incentive mechanism of the Company, attract and retain talent, fully motivate the key personnel of the Company, and align the interests of the Shareholders and the Company with the employees. The Board is of the view that the adoption of the Incentive Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Incentive Scheme are on normal commercial terms, fair, reasonable and in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Under the First Grant, certain Participants are the Directors or the chief executive officers of the Company and certain subsidiaries of the Company and hence a connected person of the Company (please refer to page 25 to 26 of this announcement). The grant of Restricted A Shares to connected persons (including connected person at subsidiary level) will constitute non-exempt connected transactions of the Company which are subject to reporting, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

The Company will establish an Independent Board Committee to give advice to Independent Shareholders in relation to the grant of Restricted Shares to the Participants of connected person(s). The Company will also appoint an Independent Financial Adviser to give advice to the Independent Board Committee and Independent Shareholders in relation to the grant of Restricted Shares to the Participants of connected person(s).

Furthermore, the subsequent grant of reserved Restricted A Shares (including the Reserved Grant) under the Incentive Scheme may involve a connected person (including connected person at subsidiary level) of the Company and in such a case, will constitute a non-exempt connected transaction of the Company which is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will comply with all the applicable requirements of the Listing Rules in due course, including but not limited to the publication of announcement and dispatch of circular (set out the relevant information on the subsequent grant (including the Reserved Grant)) and seek the subsequent grant by the Independent Shareholders. The subsequent grant of reserved Restricted A Shares pursuant to the Incentive Scheme will comply with the Listing Rules (including the Model Code).

Mr. Ding Yi and Mr. Ren Tianbao are the directors of the Company and the proposed Participants under the First Grant of the Incentive Scheme. Therefore, they have abstained from voting on the resolution on the relevant Incentive Scheme at the Board meeting.

## **SHAREHOLDERS' GENERAL MEETING**

The Company will convene an extraordinary general meeting and a class meeting, to consider and approve a number of resolutions, including the Incentive Scheme and the Proposed Grant (including the Restricted A Shares to the Participants of connected person(s)).

A circular containing the details of the Incentive Scheme, recommendation letters issued by the Independent Board Committee and the Independent Financial Adviser to the Independent Shareholders in relation to the Proposed Grant of Restricted Shares to the Participants of connected person(s) under the proposed adoption of Incentive Scheme, together with the notice of the extraordinary general meeting and H Shares Class Meeting, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

## **DEFINITIONS**

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

“A Share(s)”	the listed A shares in the share capital of the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Articles of Association”	the articles of association of the Company
“Assessment Management Measures”	the Assessment Management Measures for Implementation of the 2021 Incentive Scheme for Restricted Shares
“Associate(s)”	has the meaning ascribed to it under the Listing Rules that apply to the Company
“Board”	the board of Directors of the Company
“Class Meetings”	A Shares Class Meeting and H Shares Class Meeting
“Company”	Maanshan Iron & Steel Company Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules that apply to the Company

“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“First Grant”	the Proposed Grant of not exceeding 76.15 million Restricted A Shares to the Participants pursuant to the Incentive Scheme
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	the foreign shares in the share capital of the Company, with a nominal value of RMB1.00 per share, which are on the Stock Exchange, and subscribed for and traded in Hong Kong dollars
“Independent Financial Adviser”	an independent Financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders in respect of the proposed Grant of Restricted Shares
“Independent Shareholders”	the shareholder of the Company (except Parent Company and its connected person)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong
“Management Measures”	Management Measures for Incentive Scheme of Listed Company (2018 Revised)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix 10 of the Listing Rules
“Participant(s)” or “Incentive Participant(s)”	the person(s) to be granted Restricted Share(s) under the Incentive Scheme, including directors, senior management officers, other leading bodies, direct management officers of the company and core technical personnel, etc.
“PRC”	the People’s Republic of China

“Proposed Grant”	the Proposed Grant of an amount not exceeding 77 million Restricted A Shares to the Participants pursuant to the Incentive Scheme
“Reserved Grant”	the Reserved Grant of an amount not exceeding 0.85 million Restricted A Shares to the Participants pursuant to the Incentive Scheme
“Restricted A Shares” or “Restricted Shares”	the A Shares to be granted to the Participants by the Company under the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Parent Company”	Magang (Group) Holding Company Limited (馬鋼(集團)控股有限公司), a state-owned holding limited company. The company is formerly known as the Maanshan Magang Corporation (馬鞍山馬鋼總公司), and was reorganized into Magang (Group) Holding Company Limited in September 1998 with government approval
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Scheme” or “Incentive Scheme” or “Restricted Share Incentive Scheme”	2021 Restricted A Share Incentive Scheme of the Company
“Securities Law”	the Securities Law of the People’s Republic of China
“Shareholder(s)”	holder(s) of shares of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

By order of the Board  
**Maanshan Iron & Steel Company Limited**  
**He Hongyun**  
*Secretary to the Board*

24 December 2021

Maanshan City, Anhui Province, the PRC

*As at the date of this announcement, the directors of the Company include:*

*Executive directors: Ding Yi and Ren Tianbao*

*Independent non-executive directors: Zhang Chunxia, Zhu Shaofang and Wang Xianzhu*