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# ZOOMLION 中 聯 重 科

**Zoomlion Heavy Industry Science and Technology Co., Ltd.\***

**中聯重科股份有限公司**

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

**(Stock Code: 1157)**

## **ANNOUNCEMENT**

### **(1) PROVISIONS FOR ASSET IMPAIRMENT FOR THE FIRST HALF OF 2023**

**AND**

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

#### **I. PROVISIONS FOR ASSET IMPAIRMENT FOR THE FIRST HALF OF 2023**

The Company has conducted impairment tests on its accounts receivables, inventories and fixed assets which showed indication of impairment as at end of 6M2023, in accordance with the relevant requirements under the Accounting Standards for Business Enterprises and the accounting policies of the Company on a prudent basis. When the net realisable value of an asset is estimated to be lower than its carrying amount, a provision for asset impairment will be made upon recognition or measurement.

##### **A. Overview**

After conducting tests, the Company made a total provision of RMB272.65 million for impairment for 6M2023, among which (i) bad debts provision for accounts receivables amounted to RMB105.30 million, (ii) bad debts provision for other receivables amounted to RMB5.21 million, (iii) bad debts provision for long-term receivables amounted to RMB140.33 million, (iv) provision for decline in value of inventories amounted to RMB17.46 million, (v) impairment of loans and advances issued amounted to RMB4.28 million, and (vi) provision for impairment of contract assets amounted to RMB67,000.

Excluding the effect of difference arising from currency conversion, the effect of provisions for asset impairment on the profit or loss (before tax) for 6M2023 was RMB272.65 million in aggregate.

## **B. Provisions for asset impairment**

### ***Accounts receivables***

For 6M2023, the Company made (i) a bad debts provision of RMB105.30 million for accounts receivables, (ii) a bad debts provision of RMB5.21 million for other receivables, (iii) a bad debts provision of RMB140.33 million for long-term receivables, and (iv) provision for impairment of contract assets of RMB67,000 on the following basis:

The provision for bad debts of accounts receivables is recognised on the basis of the expected credit loss of the Company, after considering the type of clients, loss incurred by historical defaults and current economic condition and taking account of forward-looking information, expected rate of default and rate of loss when determining the lifetime expected credit loss.

### ***Inventory***

For 6M2023, the Company made a provision of RMB17.46 million for decline in value of inventories on the following basis:

Inventories are measured at the lower of cost and net realisable value at the end of a period. The estimates of net realisable value are based on the most reliable evidence available, taking into consideration the purpose for holding inventories and the effects of events subsequent to the balance sheet date. If it is foreseeable that the cost of inventories may not be recoverable because inventories are damaged, have become wholly or partly obsolete, or their selling prices are below cost, the provision for decline in value of inventories will be made according to such portion of the cost not recoverable. The provision for decline in value of inventories such as finished products and bulk raw materials are made by comparing costs with their net realisable value on an individual basis. For other raw and auxiliary materials and products in progress with large quantities and relatively low unit costs, the provision for decline in value of those inventories are made according to the categories of inventories.

The net realisable value of inventory of goods directly for sale such as finished products, products in progress and materials for sale is determined by deducting the estimated sales expenses and relevant taxes from the estimated selling prices of those inventories. The net realisable value of inventory of materials held for production is the amount after deducting the estimated costs to be incurred upon completion, estimated sales expenses and relevant taxes from the estimated selling prices of finished products being manufactured. The net realisable value of inventories held for execution of sales contract or labour contract is calculated on the basis of contract prices. In the event that an enterprise holds more inventories than the quantities ordered in the sales contract, the net realisable value of the excessive inventories is calculated on the basis of the general selling prices.

For inventories showing any indication of possible impairment, the Company would conduct impairment test by regularly adopting the lower of cost and net realisable value method to make sufficient provisions for decline in the value of inventories.

### ***Loans and advances issued***

For 6M2023, the Company made a provision of RMB4.28 million for credit impairment of loans and advances issued on the following basis:

The Company classifies loans and advances issued into certain categories based on their characteristics of credit risk. For loans and advances issued classified into categories, the Company calculates the expected credit losses based on the number of days overdue and exposure to default risk by referring to the historical credit loss experience of the sector and taking into account current situations and forecasts of future economic conditions.

#### **C. Effects of the provisions for asset impairment on the financial position of the Company**

The profit before tax of the Company decreased by RMB272.65 million for 6M2023 due to the provisions for asset impairment.

The provisions for asset impairment give a true view of the financial position, and are in compliance with the requirements of the accounting standards and relevant policies, conforming to the actual condition of the Company. The provisions for asset impairment are not prejudicial to the interests of the Company and the Shareholders, and do not involve any related party of the Company.

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

On 30 August 2023, the Board resolved to approve the proposed adoption of the Stock Ownership Plan (Phase II) subject to approval from Shareholders.

### **A. Purpose**

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

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

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

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

## **B. Participants**

### ***Basis of determining eligibility***

The list of Holders is determined by the Board in accordance with the relevant laws, rules and regulations, including the PRC Company Law, the PRC Securities Law, the Guiding Opinions on the Pilot Program of Employee Stock Ownership Plans Implemented by Listed Companies, Self-regulatory Guidelines for Listed Companies No. 1 – Standardised Operation issued by Shenzhen Stock Exchange and the requirements of the Company's articles of association.

### ***Scope of Holders***

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

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

### ***Source of funds***

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

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

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

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

## **C. Source and number of shares**

### ***Source of shares***

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

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

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

### ***Number of shares***

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

The total number of A Shares to be held by the Stock Ownership Plan (Phase II) (once implemented) and allocated among the Holders shall not exceed 10% of the total issued share capital of the Company.

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

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

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

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

### ***Purchase price***

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

If there is any ex-rights and ex-dividend event, such as capitalisation issue, bonus issue or distribution of dividends during the period from the announcement of the Stock Ownership Plan (Phase II) to the date on which the Company's acquisition of A Shares by way of non-trade transfer for the Stock Ownership Plan (Phase II) is completed, the price for acquiring A Shares by way of non-trade transfer and to be held by the Stock Ownership Plan (Phase II) shall be adjusted accordingly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (iii) Performance target of the Company

A Shares held by the Stock Ownership Plan (Phase II) will be unlocked in three batches over three years, based on the audited net profits of the Company attributable to shareholders (the “**Net Profits**”) for the three financial years ending 31 December 2025 as benchmarked against the Net Profits for the financial year ended 31 December 2022 (the “**Benchmark**”). Details of the performance targets are as follows:

<b>Unlock period</b>	<b>Performance target</b>
First unlock period	As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2023 is no less than 40%, and the Net Profits for the financial year ending 31 December 2023 is no less than 75% of the Net Profits of comparable companies for the same year
Second unlock period	(i) As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2024 is no less than 60%, or the arithmetic mean of the growth rate of the Net Profits for the two financial years ending 31 December 2024 is no less than 50%, and (ii) the Net Profits for the financial year ending 31 December 2024 is no less than 75% of the Net Profits of comparable companies for the same year
Third unlock period	(i) As compared to the Benchmark, the growth rate of the Net Profits for the financial year ending 31 December 2025 is no less than 110%, or the arithmetic mean of the growth rate of the Net Profits for the three financial years ending 31 December 2025 is no less than 70%, and (ii) the Net Profits for the financial year ending 31 December 2025 is no less than 75% of the Net Profits of comparable companies for the same year

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

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

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

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

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

### ***Trading restrictions***

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

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

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

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

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

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

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

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

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

***Amendments***

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

***Termination***

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

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

**H. Transferability**

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

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

### ***Management***

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

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

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

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

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

## ***Management Committee***

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

The Management Committee shall exercise the following duties and functions:

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

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

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

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

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

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

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

The Company will convene an extraordinary general meeting for the purpose of obtaining Shareholders' approval for the adoption of the Stock Ownership Plan (Phase II) and related matters. A circular containing (among others) further details of the Stock Ownership Plan (Phase II) together with the notice of the extraordinary general meeting, will be despatched to Shareholders in due course.

## **DEFINITIONS**

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

“6M2023”	six months ended 30 June 2023
“A Share(s)”	domestic shares of nominal value of RMB1.00 each in the share capital of the Company
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Company”	中聯重科股份有限公司 (Zoomlion Heavy Industry Science and Technology Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the last batch of A Shares is transferred to the Stock Ownership Plan (Phase II)
“Effective Period”	a period of 10 years beginning the Effective Date
“H Share(s)”	overseas listed foreign shares of nominal value of RMB1.00 each in the share capital of the Company
“Holder(s)”	participant(s) of the Stock Ownership Plan (Phase II)

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Management Committee”	the management committee of the Stock Ownership Plan (Phase II)
“Management Rules”	the management rules of the Stock Ownership Plan (Phase II)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Taiwan, Hong Kong Special Administrative Region of the PRC and Macao Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s) or where the context requires, either of them
“Shareholder(s)”	holder(s) of Share(s)
“Stock Ownership Plan (Phase II)”	the proposed stock ownership plan (phase II) for the Company’s core management team
“%”	per cent.

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

Changsha, PRC, 30 August 2023

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

\* *For identification purpose only*