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**If you have sold or transferred all** your overseas listed foreign shares (“H Shares”) in Weichai Power Co., Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**PROPOSED ADOPTION OF THE RESTRICTED SHARE INCENTIVE  
SCHEME OF A SHARES  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A letter from the Board is set out on pages 3 to 11 of this circular.

A notice convening the EGM to be held at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 13 November 2023 at 2:50 p.m. is set out on pages 67 to 69 of this circular. Whether or not you intend to be present at the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the H-share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish. For holders of A Shares, please refer to the notice of the EGM published on the website of the Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.

27 October 2023

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## DEFINITIONS

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

“A Share(s)”	the A Share(s), being ordinary share(s) issued, in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Appraisal Management Measures”	the Appraisal Management Measures for the Implementation of the 2023 Restricted A Share Incentive Scheme of the Company* (濰柴動力股份有限公司2023年A股限制性股票激勵計劃實施考核管理辦法), the full text of which is set out in Appendix III to this circular
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 13 November 2023, the notice of which is contained in this circular
“Grant Date”	the date on which the Company grants the Restricted Shares to the Incentive Participants
“Grant Price”	the price of each Restricted Share to be granted to the Incentive Participants
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Participant(s)”	the person(s) to whom the Restricted Shares are to be granted under the Incentive Scheme
“Incentive Scheme”	the 2023 Restricted Share Incentive Scheme of the Company, the full text of the draft which is entitled “2023 Restricted A Share Incentive Scheme (Draft) (2023年A股限制性股票激勵計劃(草案))” is set out in Appendix I to this Circular
“Latest Practicable Date”	24 October 2023, being the being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Remuneration Committee”	the remuneration committee of the Company
“Restricted Share(s)”	A Share(s) to be granted to the Incentive Participants by the Company on such conditions, and at the Grant Price, as specified under the Incentive Scheme. Such shares are subject to certain lock-up restrictions, which restrictions will be lifted when the unlocking conditions stipulated under the Incentive Scheme have been satisfied
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Heavy Industry”	山東重工集團有限公司(Shandong Heavy Industry Group Co., Ltd.), a substantial shareholder of the Company and a subsidiary of the Shandong SASAC
“Shandong SASAC”	the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)
“Share(s)”	the share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“%”	per cent

\* For identification purposes only

LETTER FROM THE BOARD



潍柴動力股份有限公司

**WEICHAI POWER CO., LTD.**

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

**(Stock Code: 2338)**

*Executive Directors:*

Tan Xuguang (*Chairman*)

Zhang Quan (*Vice Chairman*)

Ma Changhai

Wang Decheng (*Chief Executive Officer and general manager*)

Sun Shaojun

Yuan Hongming

Ma Xuyao

*Registered office:*

197, Section A

Fu Shou East Street

High Technology Industrial

Development Zone

Weifang

Shandong Province

The People's Republic of China

*Non-executive Directors:*

Zhang Liangfu

Richard Robinson Smith

Michael Martin Macht

*Principal place of business*

*in Hong Kong:*

Rooms 3407–3408

34th Floor, Gloucester Tower

Landmark

15 Queen's Road Central

Central, Hong Kong

*Independent Non-executive Directors:*

Jiang Yan

Yu Zhuoping

Chi Deqiang

Zhao Fuquan

Xu Bing

*Supervisors:*

Wang Yanlei

Wang Xuewen

Zhao Yongchang

27 October 2023

*To: Holders of H Shares*

*Holders of A Shares*

Dear Sir or Madam,

**PROPOSED ADOPTION OF THE RESTRICTED SHARE INCENTIVE  
SCHEME OF A SHARES**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

## LETTER FROM THE BOARD

### I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 October 2023 in relation to the proposed adoption of the Incentive Scheme by the Board. At the EGM, resolutions in relation to the proposed adoption of the Incentive Scheme will be submitted for the Shareholders' approval, which include (i) the resolution on the proposed adoption of the draft Incentive Scheme and its summary, (ii) the resolution on the proposed adoption of the Appraisal Management Measures; and (iii) the resolution on the proposed grant of authorisation to the Board to deal with matters in relation to the Incentive Scheme.

The purpose of this circular is to set out the notice of EGM and to provide you with further information to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

Shareholders are advised to note that apart from Shareholders' approval at the EGM, the implementation of each of the Incentive Scheme and the Appraisal Management Measures are also subject to the approval of Shandong Heavy Industry and the completion of registration procedures with the Shandong SASAC as at the Latest Practicable Date.

### II. THE INCENTIVE SCHEME

Reference is made to the announcement of the Company dated 24 October 2023 in relation to, among other things, the proposed adoption of the Incentive Scheme.

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, motivate the core and key employees and effectively align the interests of the Shareholders, the Company and its employees, the Remuneration Committee has formulated, and the Board has approved the proposed adoption of the 2023 Restricted A Share Incentive Scheme (Draft) (2023年A股限制性股票激勵計劃(草案)) in accordance with the applicable laws and regulations and the Articles of Association, and proposed to grant the Restricted Shares to the Incentive Participants pursuant to the Incentive Scheme.

The Incentive Scheme constitutes a share scheme under Chapter 17 of the Hong Kong Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Hong Kong Listing Rules. However, it does not constitute a share scheme involving the issue of new shares as referred to in Chapter 17 of the Hong Kong Listing Rules. Therefore, the adoption of the Incentive Scheme is not be subject to Shareholders' approval pursuant to the Hong Kong Listing Rules.

Nonetheless, pursuant to the relevant PRC laws and regulations, the Incentive Scheme and the related measures are subject to, among others, the approval of Shareholders at the EGM by way of special resolutions.

## LETTER FROM THE BOARD

Pursuant to the proposed list of Incentive Participants prepared by the Remuneration Committee, subject to the approval of the Incentive Scheme by the Shareholders at the EGM and the approval of the Board on the grant of the relevant Restricted Shares, following adoption of the Incentive Scheme, 800,000 Restricted Shares is expected to be granted, pursuant to the Incentive Scheme, to one of the Incentive Participants who is a Director of the Company, and an aggregate of 14,380,000 Restricted Shares are expected to be granted, pursuant to such Incentive Scheme, to 47 Incentive Participants, being directors and/or supervisors of subsidiaries of the Company or directors of subsidiaries of the Company in the last 12 months, and accordingly connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules.

Details of (i) the Incentive Participant who is a Director of the Company and the number of Restricted Shares proposed to be granted to him, and (ii) the Incentive Participants who are connected persons of the Company at subsidiary level pursuant to Rule 14A of the Listing Rules and the number of Restricted Shares proposed to be granted to them, are set out below:

<b>Name of incentive Participant (connected persons at listed company level) and position in the Company</b>	<b>Number of Restricted Shares to be granted</b>	<b>Percentage in the total number of Restricted Shares to be granted</b>	<b>Percentage in existing total share capital of the Company</b>
Wang Decheng (王德成) Director, the CEO and general manager of the Company	800,000	0.94%	0.009%
		<b>Percentage in the total number of Restricted Shares to be granted</b>	<b>Percentage in existing total share capital of the Company</b>
<b>Categories of Incentive Participants (connected persons at subsidiary level)</b>	<b>Number of Incentive Participant</b>	<b>Number of Restricted Shares to be granted</b>	<b>Percentage in existing total share capital of the Company</b>
Management staff	30	8,500,000	9.95%
Technological and R&D staff	9	4,290,000	5.02%
Marketing and sales staff	8	1,590,000	1.86%

As the highest applicable percentage ratio calculated pursuant to the Hong Kong Listing Rules in respect of the grant of Restrictive Shares to each such Incentive Participants is expected to be less than 0.1%, such grants under the Incentive Scheme will be fully exempt from the reporting, announcement and independent shareholders' approval requirements in relation to connected transactions under Chapter 14A of the Hong Kong Listing Rules.

## LETTER FROM THE BOARD

Please refer to the announcement of the Company dated 24 October 2023 and the Company's announcement dated 24 October 2023 on the Shenzhen Stock Exchange for a summary of the Incentive Scheme and the proposed allocation of Restricted Shares to be granted to the Incentive Participants. Full text of the draft Incentive Scheme is set out in Appendix I to this circular. The draft Incentive Scheme was prepared in the Chinese language. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

### III. THE APPRAISAL MANAGEMENT MEASURES

In order to ensure the smooth implementation of the Incentive Scheme, the Company has formulated the Appraisal Management Measures in accordance with the applicable laws and regulations and the Articles of Association to ensure the Group's achievement of its development strategies and performance targets.

Full text of the Appraisal Management Measures is set out in Appendix II to this circular. The Appraisal Management Measures was prepared in the Chinese language. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

### IV. PROPOSED GRANT OF AUTHORITY TO THE BOARD TO HANDLE MATTERS RELATING TO THE INCENTIVE SCHEME

To ensure the smooth implementation of the Incentive Scheme, the Board proposed to submit to the EGM for approval the grant of authority to the Board to handle matters relating to the Incentive Scheme, including but not limited to the following:

1. to propose at the EGM that the Board be authorised to be responsible for the following matters in relation to the implementation of the Incentive Scheme:
  - (a) to authorise the Board to determine the qualifications of and the grant conditions imposed on the Incentive Participant under the Incentive Scheme, and to determine Grant Date under the Incentive Scheme;
  - (b) to authorise the Board to adjust the number of the underlying Shares related to number of the Restricted Shares to be granted or repurchased according to the terms of the Incentive Scheme in the event of the occurrence of the following in respect of the Company: conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or distribution of dividends;
  - (c) to authorise the Board to adjust the Grant Price or repurchase price for the Restricted Shares according to the terms of the Incentive Scheme in the event of the occurrence of the following in respect of the Company: conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or dividend distribution;

## LETTER FROM THE BOARD

- (d) to authorise the Board to grant the Restricted Shares to an Incentive Participant upon his/her fulfillment of the conditions of grant, and to handle all necessary matters in connection with the grant of the Restricted Shares, including but not limited to the signing of the relevant grant agreements with the Incentive Participants, the submission of applications to the Shenzhen Stock Exchange (“SSE”) in respect of the grant, the handling of applications to the China Securities Depository of Clearing Corporation Limited Shenzhen branch (the “**Registration and Clearing Company**”) for the relevant registration and settlement, the amendment of Articles of Association, and the handling of industrial and commercial registration related to the change in registered capital of the Company;
- (e) to authorise the Board to review and confirm the satisfaction of the relevant unlocking conditions attached to the Restricted Shares granted to the Incentive Participant, and to agree the delegation of such powers by the Board to the Remuneration Committee;
- (f) to authorise the Board to determine whether the lock-up restrictions may be unlocked in respect of an Incentive Participant, and to authorise the Board to handle all matters necessary in connection with the unlock of the lock-up restrictions in respect of an Incentive Participant, including but not limited to the submission of applications to the SSE in respect of the unlock of the lock-up restrictions, and the handling of applications to the Registration and Clearing Company for the relevant registration and settlement;
- (g) to authorise the Board to handle lock-up restrictions related to the Restricted Shares that remain locked;
- (h) to authorise the Board to make decisions on the amendment and termination of the Incentive Scheme, including but not limited to the disqualification of an Incentive Participant’s qualification of having unlocked the relevant lock-up restrictions, the cancellation and repurchase of Restricted Shares held by an Incentive Participant of which lock-up restrictions have not yet been unlocked, handling of the compensation arrangements, etc. related to the Restricted Shares of a deceased Incentive Participant of which lock-up restrictions have not yet been unlocked, terminating of the Incentive Scheme, handling of the amendments to the Articles of Association due to repurchase and cancellation of the relevant Restricted Shares, and the handling of industrial and commercial registration related to the change in registered capital of the Company;
- (i) to authorise the Board to manage and adjust the Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Incentive Scheme, subject to the terms of the Incentive Scheme. However, if such amendments are subject to approval of the Shareholders at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board shall be subject to such approvals;

## LETTER FROM THE BOARD

- (j) to authorise the Board to execute, implement, revise and terminate any agreement or document relating to the Incentive Scheme;
  - (k) to authorise the Board to remove or replace any enterprises from the samples of industry peers in respect of the assessment of performance under the Incentive Scheme in accordance with the terms of the Incentive Scheme; and
  - (l) to authorise the Board to carry out all necessary actions in connection with the implementation of Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting.
2. to propose at the EGM that the Board be authorised to, in accordance with the relevant laws and regulations and regulatory documents, complete the relevant review, registration, filing, approval or consent procedures with the relevant governments and authorities (including but not limited to the industrial and commercial registration authorities) in relation to the Incentive Scheme; to sign, execute, amend and complete documents submitted to the relevant governments, authorities, organisations, and individuals; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Incentive Scheme.
  3. to propose at the EGM that the Board be authorised to engage intermediaries, such as financial consultant, securities companies, lawyers, receiving banks and accountants, for the implementation of the Incentive Scheme.
  4. to propose at the EGM to obtain Shareholders' approval that the authorisation granted to the Board shall be for a term consistent with the validity period of the Incentive Scheme.

Save for matters to be approved by the Board of Directors as explicitly stipulated by laws, administrative regulations, rules of CSRC, regulatory documents, the terms of the Incentive Scheme or the Articles of Association, the above authorisations may be exercised directly by the Chairman of the Board (or any person authorised by the Chairman of the Board) on behalf of the Board.

### **V. PURPOSE AND REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME**

The purpose of the Incentive Scheme is to (a) further improve the Company's operating mechanism and corporate governance structure, form a refined and balanced salary review system, and ensure the realisation of the Company's future development strategy and operations objectives; (b) promote the sustainable development of the Company and the management, assist the management to balance long term and short term goals, further the long term and short term interests of the Company, and promote the stable development of the Company; (c) fully mobilise the initiative and creativity of the Company's core management team and core staff, enhance the cohesion of the Company, provide a good incentive platform for talents, enhance the competitiveness of the Company, and stabilise the industry position of the

## LETTER FROM THE BOARD

Company; and (d) establish and improve the Company's long-term incentive mechanism, establish a benefit and risk sharing mechanism among the Shareholders, the management and core staff, align the interests of the Shareholders, the Company and Incentive Participants, and bring more lasting and rich returns to the Shareholders.

The Board (including the independent non-executive Directors) is of the view that the adoption and implementation of the proposed Incentive Scheme and the related measures is beneficial to the Company and its Shareholders as a whole, and the terms and conditions of the Incentive Scheme and the related measures are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### VI. LISTING RULES IMPLICATIONS

The Incentive Scheme constitutes a share scheme under Chapter 17 of the Hong Kong Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Hong Kong Listing Rules. However, it does not constitute a share scheme involving the issue of new shares as referred to in Chapter 17 of the Hong Kong Listing Rules. Therefore, the adoption of the Incentive Scheme is not be subject to Shareholders' approval pursuant to the Hong Kong Listing Rules.

Nonetheless, pursuant to the relevant PRC laws and regulations, the Incentive Scheme and the related measures are subject to, among others, the approval of Shareholders at the EGM by way of special resolutions.

As disclosed in the section headed "II. The Incentive Scheme" above, pursuant to the proposed list of Incentive Participants prepared by the Remuneration Committee, subject to the approval of the Incentive Scheme by the Shareholders at the EGM and the approval of the Board on the grant of the relevant Restricted Shares, following adoption of the Incentive Scheme, it is expected that one of the Incentive Participants is a Director of the Company, and 47 of the Incentive Participants are directors and/or supervisors of the subsidiaries of the Company or were directors of the subsidiaries of the Company in the last 12 months. Therefore, they are connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio calculated pursuant to the Hong Kong Listing Rules in respect of the grant of Restricted Shares to each such Incentive Participants is less than 0.1%, such grant will be fully exempted from the reporting, announcement and independent shareholders' approval requirements in relation to connected transactions under Chapter 14A of the Hong Kong Listing Rules.

At the meeting of the Board on 24 October 2023 approving, inter alia, the Incentive Scheme, Mr. Wang Decheng has abstained from voting on the resolutions in respect of the Incentive Scheme as he is one of the proposed Incentive Participants. Save as disclosed, no other Directors have any material interest in the Incentive Scheme.

### VII. EGM

The EGM will be held at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 13 November 2023, Monday to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the EGM set out in pages 67 to 69 of this circular.

## LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in any of the resolutions proposed at the EGM. Therefore, no Shareholder is required to abstain from voting at the EGM in respect of the relevant resolutions.

It is a requirement of the Hong Kong Listing Rules that the voting at the EGM must be taken by poll.

The form of proxy for use at the EGM is enclosed with this circular. Holders of A Shares may use the forms of proxy published by the Company on the website of the Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof.

Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

### **VIII. CLOSURE OF REGISTER OF HOLDERS OF H SHARES**

The register of holders of H Shares of the Company will be closed from 8 November 2023 to 13 November 2023, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7 November 2023.

### **IX. RESPONSIBILITY STATEMENT**

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

### **X. RECOMMENDATIONS**

Having considered the information set out herein, the Directors are of the opinion that all relevant resolutions to be proposed at the EGM are in the best interests of Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions regarding the same.

## LETTER FROM THE BOARD

### XI. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

*Please note that, apart from the approvals to be sought from the Shareholders at the EGM, each of the Incentive Scheme and the Appraisal Management Measures are also subject to the approval by Shandong Heavy Industry and the completion of registration procedures with the Shandong SASAC as at the Latest Practicable Date. There is no assurance that the proposed Incentive Scheme will be adopted and implemented. Investors are advised to exercise caution when dealing in the H Shares or other securities of the Company.*

Yours faithfully,  
For and on behalf of  
the Board of Directors  
**Tan Xuguang**  
*Chairman*

Stock Abbreviation: Weichai Power

Stock Code: 000338

**WEICHAI POWER CO., LTD.**  
**2023 Restricted A Share Incentive Scheme**  
**(Draft)**

Weichai Power Co., Ltd.

October 2023

### Statements

The Company and all directors, supervisors guarantee that there are no false records, misleading statements or material omission in the Scheme and its summary, and shall individually and jointly assume legal responsibilities for its truthfulness, accuracy and completeness.

### Special Notes

- I. The Incentive Scheme is formulated in accordance with relevant laws, regulations and regulatory documents such as the Company Law of the People's Republic of China (《中華人民共和國公司法》); Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Administrative Measures on Share Incentives of Listed Companies (上市公司股權激勵管理辦法), the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號)), the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號)), the Opinions on the Implementation of Promoting the Implementation of Equity Incentives by Listed Companies by the Office of Shandong Provincial People's Government (Lu Zheng Ban Zi [2018] No. 225) (《山東省人民政府辦公廳關於推進上市公司實施股權激勵的實施意見》(魯政辦字[2018]225號)), the Opinions of Shandong Provincial SASAC on Further Improving the Equity Incentive of Provincial Enterprises Holding Listed Companies (Lu Guo Zi [2021] No.3) (《山東省國資委關於進一步完善省屬企業控股上市公司股權激勵的意見》(魯國資[2021]3號)) and the Guidelines for the Implementation of Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Kao Fen [2020] No. 178) (《中央企業控股上市公司實施股權激勵工作指引》(國資考分[2020]178號)), as well as the relevant requirements of the articles of association of Weichai Power Co., Ltd.
- II. The Company meets the following conditions for implementing the Incentive Scheme as stipulated in Article 5 of the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic):
  - (I) it shall have a standardised governance structure, Shareholders' meetings, a board of directors and the management being well-organised and with a clear division of responsibilities among them. More than half of the board members shall be external directors (including independent directors, the same applies hereinafter);
  - (II) the remuneration committee shall be composed of external directors, with sound system and procedures to ensure operation in accordance with applicable laws and regulations;
  - (III) it shall have sound internal controls and performance assessment system and standardised fundamental management policy in place and have established

systems for employment, remuneration and benefits and performance assessment that are in line with the requirements of the market economy and modern enterprise management system;

- (IV) it shall have developed a clear and well-defined development strategy, shall be in a sound financial position with quality assets and stable business performance; and there were no financial violation of laws or regulations or negative records regarding the Company during the past three years;
  - (V) any other conditions as prescribed by the securities regulatory authorities.
- III. The Company shall not involve in the following circumstances where no share incentive scheme shall be implemented as provided in Clause 7 of the Administrative Measures on Share Incentives of Listed Companies:
- (I) a certified public accountant having issued a negative opinion or was unable to express an opinion an audit report in respect of the Company's financial and accounting report for the latest fiscal year;
  - (II) a certified public accountant having issued a negative opinion or was unable to express an opinion in respect of the Company's internal control over financial reporting for the latest fiscal year;
  - (III) within the most recent 36 months and after the Company's listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
  - (IV) the relevant laws and regulations having prohibited the implementation of the share incentives; or
  - (V) other circumstance as stipulated by the CSRC.
- IV. The Incentive Scheme does not involve in the following circumstances where the Incentive Participant is not eligible to be an Incentive Participant as provided in Clause 8 of the Administrative Measures on Share Incentives of Listed Companies:
- (I) such Incentive Participant having been recognised as an ineligible person by SSE during the latest 12 months;
  - (II) such Incentive Participant having been recognised as an ineligible person by the CSRC and its delegated institutions during the latest 12 months;
  - (III) such Incentive Participant having been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or non-compliance with laws and regulations during the latest 12 months;
  - (IV) such Incentive Participant having been prohibited from being appointed as a director or senior management according to the requirements of the PRC Company Law;

- (V) such Incentive Participant having been prohibited from participating in the incentive scheme of a listed company according to the requirements of laws and regulations;
  - (VI) other circumstances as stipulated by the CSRC.
- V. The incentive instruments under the Incentive Scheme are Restricted Shares which represent the ordinary A shares repurchased from the secondary market by the Company.
- VI. It is proposed that not more than 85,440,000 Restricted Shares, representing not more than 1.00% of the total share capital of the Company of 8,726,556,821 Shares as of the date of the announcement of this draft Scheme and not more than the total amount of A Shares that have been repurchased, are to be granted under the Incentive Scheme.
- The total number of Restricted Shares to be granted under the Incentive Scheme to any one of the Incentive Participants will not exceed 1.00% of the total share capital of the Company prior to the submission of the Incentive Scheme to the general meeting of shareholders for consideration.
- VII. The Grant Price of the Restricted Shares shall be RMB6.49 per Share. In the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or distribution of dividends by the Company during the period between the date of the announcement of the Incentive Scheme and the completion of registration of the Restricted Shares held by the Incentive Participants, corresponding adjustments shall be made to the number of the Restricted Shares to be granted.
- VIII. The Incentive Participants shall comprise 716 persons, including directors, senior management officers, middle management officers, and core technology (business) staff of the Company (including its branches and subsidiaries). The Incentive Participants will not include external directors, supervisors, or shareholders or actual controllers holding, individually or collectively, more than 5% of the total shareholding of the Company, and their spouses, parents and children.
- IX. The Incentive Scheme shall be valid from the date of the completion of registration of the grant of the Restricted Shares, to the unlocking of the lock-up restrictions attached to all of the granted Restricted Shares, excluding those subject to reduction restriction over directors and senior management, or the completion of the repurchase of the granted Restricted Shares by the Company, which period shall not exceed 60 months.

- X. The subscription of the Restricted Shares shall be made out of self-raised funds of the Incentive Participants. The Company undertakes not to provide loans, guarantees and financial support in any other forms, to the Incentive Participants for acquiring the Restricted Shares under the Scheme.
- XI. The Incentive Participants undertake that where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions for granting or arrangements for exercise of rights, the Incentive Participants concerned shall return to the Company all gains under the Scheme from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.
- XII. The Incentive Scheme shall become effective upon satisfaction of all the following conditions: the approval by Shandong Heavy Industry Group Co., Ltd. having been obtained, the relevant registration procedures with the Shandong SASAC having been completed and approval by the Shareholders at the Company's general meeting having been obtained.
- XIII. The Company shall convene a Board meeting in accordance with the relevant requirements and grant the Restricted Shares to the Incentive Participants and complete the registration and publication of announcement within 60 days from the date on which the Incentive Scheme is approved by the Shareholders at the general meeting and the satisfaction of the relevant grant conditions. If the Company fails to complete the procedures mentioned above within such 60-day period, the Incentive Scheme shall be terminated. The Restricted Shares which have not been granted shall lapse.
- XIV. The implementation of the Incentive Scheme shall not result in the shareholding structure of the Company failing to meet listing requirements.

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## CHAPTER I DEFINITION

Unless otherwise requires, the following expressions herein shall have the following meanings:

“Weichai Power”, “Company”	means	Weichai Power Co., Ltd.
“Incentive Scheme”, “Scheme”	means	the 2023 Restricted A Share Incentive Scheme of Weichai Power Co., Ltd.
“Restricted Share(s)”	means	a certain number of Shares of the Company to be granted to the Incentive Participants by the Company on such conditions and at the price as stipulated under the Incentive Scheme. Such shares are subject to certain lock-up restrictions, which restrictions will be lifted when the unlocking conditions stipulated under the Incentive Scheme have been satisfied
“Incentive Participant(s)”	means	employees of the Company who are eligible to be granted with a certain number of Restricted Shares under the Incentive Scheme
“Grant Date”	means	the date on which the Company grants the Restricted Shares to the Incentive Participants, which shall fall on a trading day
“Grant Price”	means	the price at which a Restricted Share is granted to the Incentive Participants
“Validity Period”	means	the period from the date of the completion of registration of the grant of the Restricted Shares, to the unlocking of the lock-up restrictions attached to all of the granted Restricted Shares (excluding those subject to reduction restriction over directors and senior managers), or the completion of the repurchase of the granted Restricted Shares by the Company
“Lock-up Period(s)”	means	the period during which the Restricted Shares granted to the Incentive Participants shall not be transferred, used to provide guarantee or used for repayment of debt prior to the conditions for Incentive Participants to exercise their rights and interests having been fulfilled
“Unlocking Period”	means	the period during which the Restricted Shares held by the Incentive Participants can be unlocked for trading after all the Unlocking Conditions prescribed under the Incentive Scheme are satisfied

“Unlocking Condition(s)”	means	the conditions prescribed under the Incentive Scheme which have to be satisfied to unlock the Restricted Shares granted to the Incentive Participants
“total share capital”	means	the total share capital of the Company in issue as at the announcement of the Incentive Scheme
“Grant Agreement”	means	Weichai Power Co., Ltd. 2023 Restricted A Share Incentive Scheme Grant Agreement
“PRC Company Law”	means	the Company Law of the People’s Republic of China
“PRC Securities Law”	means	the Securities Law of the People’s Republic of China
“Administrative Measures”	means	the Administrative Measures on Share Incentives of Listed Companies
“Trial Measures”	means	the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175)
“Regulatory Notice”	means	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171)
“Implementation Guidelines”	means	the Guidelines for the Implementation of Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Kao Fen [2020] No. 178)
“Articles of Association”	means	the articles of association of Weichai Power Co., Ltd.
“Shandong Heavy Industry”	means	Shandong Heavy Industry Group Co., Ltd.
“SASAC”	means	State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government
“CSRC”	means	China Securities Regulatory Commission
“SSE”	means	the Shenzhen Stock Exchange

“securities registration and clearing institution” means the China Securities Depository & Clearing Corporation Limited

“RMB” means Renminbi yuan

*Notes:*

1. Financial data and financial indicators cited to in this draft, unless otherwise specified, refer to the financial data in the consolidated statements and the financial indicators calculated based on such financial data;
2. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

## CHAPTER II PURPOSES AND PRINCIPLES OF THE RESTRICTED SHARE INCENTIVE SCHEME

### I. Purposes of the Incentive Scheme

- (I) to further improve the Company's operating mechanism and corporate governance structure, form a refined and balanced salary review system, and ensure the realisation of the Company's future development strategy and operations objectives;
- (II) to promote the sustainable development of the Company and the management, assist the management to balance long term and short term goals, further the long term and short term interests of the Company, and promote the stable development of the Company;
- (III) to mobilise the initiative and creativity of the Company's core management team and core staff, enhance the cohesion of the Company, provide a good incentive platform for talents, enhance the competitiveness of the Company, and stabilise the industry position of the Company;
- (IV) to establish and improve the Company's incentive mechanism, establish a benefit and risk sharing mechanism among the Shareholders, the management and core staff, align the interests of the Shareholders, the Company and Incentive Participants, and bring more lasting and rich returns to the Shareholders.

### II. The Incentive Scheme adheres to the following principles:

- (I) being lawful, open and transparent, and abiding by laws, regulations and the requirements of the Articles of Association;
- (II) safeguarding the interests of the Shareholders and the Company, improving value preservation and appreciation of state-owned assets, and contributing to the Company's sustainable development;
- (III) combining incentives with constraints, making risks commensurate with returns and properly strengthening the incentives for the management of the Company;
- (IV) being practicable and standardised, rolling out step by step and improving constantly.

**CHAPTER III ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME**

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Incentive Scheme.
- II. The board of directors of the Company (the “Board”) shall act as the executive and administrative body for the Incentive Scheme and the remuneration committee under the Board (the “Remuneration Committee”) shall be responsible for drafting and revising the Incentive Scheme, and submitting it to the Board for consideration and approval. Upon approval by the Board, the Scheme shall be further submitted to Shandong Heavy Industry, SASAC and the Company’s general meeting for consideration and approval. The Board may deal with matters relating to the Incentive Scheme within its scope of authority as granted by the general meeting.
- III. The supervisory committee of the Company (the “Supervisory Committee”) is the supervisory authority of the Incentive Scheme and shall be responsible for the verification of the list of Incentive Participants and shall supervise whether the implementation of the Incentive Scheme is in compliance with relevant laws, administrative regulations, departmental rules and business rules of the SSE.
- IV. Independent directors and the Supervisory Committee shall issue opinions as to whether the Incentive Scheme is beneficial to the sustainable development of the Company, whether there is any apparent prejudice to the interests of the Company and the Shareholders as a whole, and independent directors shall collect proxy votes from the Company’s Shareholders in respect of the Incentive Scheme.
- V. Where amendments have been made to the Incentive Scheme before it is considered and passed at the general meeting of the Company, the independent directors and the Supervisory Committee shall issue independent opinions as to whether the amended proposal is beneficial to the sustainable development of the Company or whether it is significantly detrimental to the interests of the Company and the shareholders as a whole.
- VI. Before any entitlements are granted to an Incentive Participant, the independent directors and the Supervisory Committee shall issue clear opinions as to whether the conditions for the Incentive Participants to receive such entitlements as set out in the Incentive Scheme have been fulfilled. In the event of any discrepancy between the entitlements granted to an Incentive Participant and the arrangement under the Incentive Scheme, the independent directors and the Supervisory Committee (where there are changes to the Incentive Participants) shall simultaneously issue explicit opinions thereon.
- VII. Before the exercise of the any entitlement by an Incentive Participant, the independent directors and the Supervisory Committee shall issue explicit opinions as to whether the conditions stipulated under the Incentive Scheme for the Incentive Participant to exercise such entitlements have been fulfilled.

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

### I. Basis for Determining the Incentive Participants

#### (I) Legal basis for determining the Incentive Participants

The Incentive Participants of the Incentive Scheme are determined in accordance with the PRC Company Law, the PRC Securities Law, the Administrative Measures, the Trial Measures, the Regulatory Notice as well as other relevant laws, regulations, regulatory documents and the relevant requirements of the Articles of Association and the actual situation of the Company.

#### (II) Positions held by Incentive Participants in the Company

The Incentive Participants of the Incentive Scheme are the directors, senior management officers, middle management officers, and core technology (business) staff of the Company (including its branches and subsidiaries). All Incentive Participants of the Incentive Scheme shall be nominated by the Remuneration Committee and further verified by the Supervisory Committee.

### II. Scope of Incentive Participants

The number of the Incentive Participants proposed under the Incentive Scheme is 716 including,

- (I) directors and senior management officers;
- (II) middle management officers;
- (III) core technology (business) staff.

The Incentive Participants under the Incentive Scheme will not include external directors, supervisors, shareholders or actual controllers holding, individually or collectively, more than 5% of the total shareholding of the Company and their spouses, parents and children.

Among the aforesaid Incentive Participants, a director or a senior management officer must be elected by Shareholders at a general meeting or appointed by the Board. All Incentive Participants shall be in an employment or labour relationship with the Company or any of its subsidiaries at all times during the appraisal period of the Scheme.

**III. Verification of the Incentive Participants**

- (I) After the Incentive Scheme is considered and approved by the Board, the Company shall publish the name and position of the Incentive Participants internally for not less than 10 days before convening a general meeting.
- (II) The Supervisory Committee shall review the list of Incentive Participants and take sufficient consideration of the relevant opinions. The Company shall disclose, 5 days prior to consideration of the Incentive Scheme by the general meeting, the description regarding the review on the list of Incentive Participants by the Supervisory Committee and the publication response. Any adjustments to the list of Incentive Participants made by the Board shall also be subject to verification by the Supervisory Committee.

## CHAPTER V SOURCE, NUMBER AND ALLOCATION OF THE RESTRICTED SHARES

## I. Source of the Restricted Shares

The source of the Restricted Shares to be granted under the Incentive Scheme is the ordinary A Shares repurchased from the secondary market by the Company

## II. Number of Restricted Shares to Be Granted

It is proposed that 85,440,000 Restricted Shares, representing not more than 1.00% of the total share capital of the Company of 8,726,556,821 Shares as of the date of the announcement of this draft Scheme and are not more than the total amount of A Shares that have been repurchased, are to be granted under the Incentive Scheme.

In the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, or rights issue by the Company during the period between the date of the announcement of the Incentive Scheme and the completion of registration of the Restricted Shares held by the Incentive Participants, corresponding adjustments shall be made to the number of the Restricted Shares to be granted in accordance with the provisions under Chapter IX of the Incentive Scheme.

## III. Allocation of the Restricted Shares to Be Granted to the Incentive Participants

The allocation of the Restricted Shares to be granted among all Incentive Participants is set out in the table below:

Name	Position	Number of Restricted Shares to be granted (ten thousand shares)	Percentage in the total number of Restricted Shares to be granted	Percentage in existing total share capital
Wang Decheng (王德成)	Director, CEO, general manager	80	0.94%	0.009%
Wang Jian (王健)	Deputy general manager	60	0.70%	0.007%
Guo Shenggang (郭聖剛)	Deputy general manager	80	0.94%	0.009%
Zhi Baojing (支保京)	Deputy general manager	110	1.29%	0.013%
Jin Zhao (金釗)	Deputy general manager	60	0.70%	0.007%
Li Pengcheng (李鵬程)	Deputy general manager	30	0.35%	0.003%
Wang Lingjin(王令金)	Deputy general manager	60	0.70%	0.007%
Ling Yun (凌芸)	Deputy general manager	69	0.81%	0.008%
Qu Hongkun (曲洪坤)	Chief financial officer	30	0.35%	0.003%
Gao Tianchao (高天超)	Secretary to the Board	40	0.47%	0.005%
Other middle management, core technology (business) staff (706 persons in total)		7,925	92.76%	0.908%
Total		8,544	100.00%	0.979%

*Notes:*

1. The Incentive Participants under the Scheme shall not participate in two or more share incentive schemes of any listed companies.
2. The Incentive Participants will not include external directors, supervisors, or Shareholders or actual controllers holding, individually or collectively, more than 5% of the total shareholding of the Company and their spouses, parents and children.
3. The value of the grant to directors and members of the senior management shall be determined as 40% of their total respective remuneration (including the value of the grant), whereas the value of the grant to other Incentive Participants such as the middle management, personnel and core technology (business) key personnel shall be determined by the board of directors of the Company.
4. The aggregate number of Shares granted under the Company's incentive schemes during the Validity Period shall not exceed 10% of the Company's total share capital. The aggregate number of the Restricted Shares granted to any of the Incentive Participants under the Incentive Scheme through all of the Company's incentive schemes during the Validity Period shall not exceed 1% of the Company's total share capital.

**CHAPTER VI SCHEDULE OF THE INCENTIVE SCHEME****I. Validity Period of the Incentive Scheme**

The Incentive Scheme shall be valid from the date of the completion of registration of the grant of the Restricted Shares, to the unlocking of the lock-up restrictions attached to all of the granted Restricted Shares (excluding those subject to reduction restriction over directors and senior management) or the completion of the repurchase of the granted Restricted Shares by the Company, which period shall not exceed 60 months.

**II. Grant Date of the Incentive Scheme**

The Grant Date shall be determined by the Board after the Incentive Scheme is approved by Shandong Heavy Industry and SASAC and approved at the general meeting of the Company. The Grant Date shall fall on a trading day. The Company shall convene a board meeting to grant the Restricted Shares to Incentive Participants and complete the registration and publication of announcement within 60 days from the date of approval at the general meeting and the satisfaction of the relevant grant conditions. If Company fails to complete the procedures mentioned above within such 60-day period, the Scheme shall be terminated and the Restricted Shares which have not been granted shall be lapsed.

The Company shall not grant any Restricted Shares to the Incentive Participants during any of the following period:

- (I) within 30 days prior to the announcement of the annual report or interim report of the Company. If the announcement date is delayed due to special reasons, within 30 days from the original announcement date;
- (II) within 10 days prior to the announcement of the quarterly report, results preview or preliminary financial results of the Company;
- (III) during the period from the date of occurrence of a material event which may have considerable impact on the trading price of the Shares and their derivatives of the Company, or the date of entering the decision-making process, up to the date of disclosure in accordance with the laws;
- (IV) any other period as stipulated by the CSRC and the SSE.

The Company shall complete the grant of the Restricted Shares and the relevant registration and announcement procedures not later than 60 days after approval by the general meeting and the satisfaction of the grant conditions (excluding the periods which the grant of Restricted Shares are prohibited under the relevant laws, regulations and listing rules). If Company fails to complete the procedures mentioned above within such 60-day period, the Incentive Scheme shall be terminated and the Restricted Shares which have not been granted shall be lapsed. The aforementioned period during which no Restricted Shares shall be granted by the Company shall not be included in the 60-day period.

### III. Lock-Up Period of the Incentive Scheme

Lock-up Periods of the Restricted Shares granted under the Incentive Scheme shall be for periods of 24 months, 36 months and 48 months, respectively, from the relevant completion date of registration of the Restricted Shares. The Restricted Shares granted to the Incentive Participants under the Incentive Scheme shall be subject to lock-up restrictions, and accordingly shall not be transferred or used to provide guarantee or used for repayment of debt during the Lock-up Periods.

The locked Shares acquired by the Incentive Participants as a result of conversion of capital reserve into share capital, distribution of script dividend, division of shares by virtue of holding the Restricted Shares shall be subject to lock-up pursuant to the Incentive Scheme. The lock-up restrictions attached to the granted Restricted Shares for the Incentive Participants shall be unlocked if the Unlocking Conditions imposed pursuant to the terms of the Incentive Scheme have been satisfied. In the event that the Unlocking Conditions have not been satisfied, the granted Restricted Shares shall be repurchased by the Company pursuant to the terms of the Incentive Scheme.

#### IV. Unlocking Periods of the Incentive Scheme

The Unlocking Periods and unlocking schedule are set out below:

Unlocking arrangement	Unlocking Periods	Unlocking proportion to equity interests granted
The first unlocking period	Commencing from the first trading day upon the expiry of the 24-month period from the date of completion of registration of the Restricted Shares granted and ending on the last trading day falling within the period of 36 months from the date of completion of registration of the Restricted Shares granted	30%
The second unlocking period	Commencing from the first trading day upon the expiry of the 36-month period from the date of completion of registration of the Restricted Shares granted and ending on the last trading day falling within the period of the 48 months from the date of completion of registration of the Restricted Shares granted	30%
The third unlocking period	Commencing from the first trading day upon the expiry of the 48-month period from the date of completion of registration of the Restricted Shares granted and ending on the last trading day falling within the period of the 60 months from the date of completion of registration of the Restricted Shares granted	40%

The Restricted Shares which have not been unlocked during each of the relevant Unlocking Periods as stipulated above are not allowed to be deferred to be unlocked in the subsequent Unlocking Period(s).

## V. Prohibition on Selling under the Incentive Scheme

The Incentive Scheme shall be subject to the prohibitions on selling as stipulated under the PRC Company Law, the PRC Securities Law and the relevant laws, regulations, regulatory documents and the Articles of Association. Such selling prohibitions include:

- (I) Where the Incentive Participant is a director or the senior management of the Company, the number of Shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares of the Company held by him/her. No Shares held by him/her shall be transferred within six months after his/her termination of office.
- (II) 20% of the total number of the Restricted Shares granted to an Incentive Participant who is a director and senior management officer of the Company are subject to lock-up and may be cashed after expiry of their position (or term of office), and subject to appraisal on their performance during his/her term of office or the audited results of economic responsibility to confirm whether the unlocking can be implemented.
- (III) For Incentive Participants who are directors and senior management officers of the Company, if they have sold the Shares of the Company held by them within six months after purchasing such shares, or they have purchased the Shares within six months after selling their Shares, the gains obtained therefrom shall be attributed to the Company and the Board shall forfeit the gains.
- (IV) If, during the validity period of the Incentive Scheme, the provisions of the PRC Company Law, PRC Securities Law, the Implementation Rules of Shenzhen Stock Exchange for Reduction in Shareholdings by Shareholders and Directors, Supervisors and Senior Management of Listed Companies and other relevant laws and regulations, regulatory documents and the Articles of Association have been amended such that the directors and senior management of the Company are subject to new rules on the transfers of shares, such Incentive Participants shall comply with the revised provisions of the PRC Company Law, PRC Securities Law, the Implementation Rules of Shenzhen Stock Exchange for Reduction in Shareholdings by Shareholders and Directors, Supervisors and Senior Management of Listed Companies and other relevant laws and regulations, regulatory documents and the Articles of Association.

## CHAPTER VII GRANT PRICE AND BASIS OF DETERMINATION OF THE RESTRICTED SHARES

### I. Grant Price of the Restricted Shares

The Grant Price of the Restricted Shares shall be RMB6.49 per Share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the Restricted Shares granted to him/her by the Company at the price of RMB6.49 per Share.

In the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or distribution of dividends by the Company during the period between the date of the announcement of the Incentive Scheme and the completion of registration of the Restricted Shares held by the Incentive Participants, corresponding adjustments shall be made to the Grant Price of the Restricted Shares to be granted in accordance with the provisions under Chapter IX of the Incentive Scheme.

### II. Basis for Determining the Grant Price of the Restricted Shares

The Grant Price of the Restricted Shares granted under the Scheme shall not be less than 50% of the fair market price of the A Shares and not lower than the normal value of such shares, and the fair market price shall be the higher of the following prices:

- (I) the average trading price of the A Shares for the last trading day immediately preceding the date of the announcement of the this draft Incentive Scheme, which is RMB12.96 per share;
- (II) the average trading price of the A Shares for the last 20 trading days immediately preceding the date of announcement of this draft Incentive Scheme, which is RMB12.93 per share.

**CHAPTER VIII CONDITIONS FOR GRANTING AND UNLOCKING  
THE RESTRICTED SHARES**

**I. Conditions for Granting Restricted Shares**

The Restricted Shares shall only be granted to the Incentive Participants pursuant to the Incentive Scheme upon the satisfaction of the following conditions by the Company and the Incentive Participants:

- (I) The Company is not involved in any of the following circumstances:
1. a certified public accountant having issued a negative opinion or was unable to express an opinion an audit report in respect of the Company's financial and accounting report for the latest fiscal year;
  2. a certified public accountant having issued a negative opinion or was unable to express an opinion in respect of the Company's internal control over financial reporting for the latest fiscal year;
  3. within the most recent 36 months and after the Company's listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
  4. the relevant laws and regulations having prohibited the implementation of the share incentives;
  5. other circumstances as stipulated by the CSRC.
- (II) The Incentive Participant is not involved in any of the following circumstances:
1. such Incentive Participant having been recognised as an ineligible person by SSE during the latest 12 months;
  2. such Incentive Participant having been recognised as an ineligible person by the CSRC and its delegated institutions during the latest 12 months;
  3. such Incentive Participant having been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or noncompliance with laws and regulations during the latest 12 months;
  4. such Incentive Participant having been prohibited from being appointed as a director or senior management according to the requirements of the PRC Company Law;
  5. such Incentive Participant having been prohibited from participating in the incentive scheme of a listed company according to the requirements of laws and regulations;
  6. other circumstances as stipulated by the CSRC.

## II. Conditions for Unlocking the Restricted Shares

The lock-up restrictions attached to the granted Restricted Shares for an Incentive Participant may only be unlocked upon the satisfaction of all the following conditions by the Company and the relevant Incentive Participant:

- (I) The Company is not involved in any of the following circumstances:
1. a certified public accountant having issued a negative opinion or was unable to express an opinion in respect of the Company's financial and accounting report for the latest fiscal year;
  2. a certified public accountant having issued a negative opinion or was unable to express an opinion in respect of the Company's internal control over financial reporting for the latest fiscal year;
  3. within the most recent 36 months and after the Company's listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments
  4. the relevant laws and regulations having prohibited the implementation of the share incentives;
  5. other circumstances as stipulated by the CSRC.

- (II) The Incentive Participant is not involved in any of the following circumstances:
1. such Incentive Participant having been recognised as an ineligible person by the SSE during the latest 12 months;
  2. such Incentive Participant having been recognised as an ineligible person by the CSRC and its delegated institutions during the latest 12 months;
  3. such Incentive Participant having been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or noncompliance with laws and regulations during the latest 12 months;
  4. such Incentive Participant having been prohibited from being appointed as a director or senior management according to the requirements of the PRC Company Law;
  5. such Incentive Participant having been prohibited from participating in the incentive scheme of a listed company according to the requirements of laws and regulations;
  6. other circumstances as stipulated by the CSRC.

If the Company is involved in any one of the situations stipulated under paragraph (I) above, all Restricted Shares that have been granted to Incentive Participants but remained unlocked shall be repurchased by the Company at a price which is the lower of the Grant Price and the market value of the A Shares at the time of the repurchase (the market value of the A shares shall be the average trading price of the A Shares for the last trading day immediately preceding the Board considers the matters related to the repurchase). If an Incentive Participant is involved in one of the situations stipulated under (II) above, all Restricted Shares that have been granted to the Incentive Participants but remained unlocked shall be repurchased by the Company at a price which is the lower of the Grant Price and the market value of the A Shares at the time of the repurchase.

## (III) Performance appraisal targets at the Company level

The Restricted Shares granted under the Incentive Scheme shall be appraised on performance and unlocked on a yearly basis during the three accounting years of the Unlocking Periods. The performance appraisal targets of the Company shall be regarded as the Unlocking Conditions for the Incentive Participants.

1. Performance appraisal targets at the Company level under the Incentive Scheme for each year are set out below:

<b>Unlocking Periods</b>	<b>Performance appraisal targets</b>
The First Unlocking Period	The operating revenue in 2024 is not less than RMB210,200 million, and the profit margin in 2024 shall not be less than 8%, and the above indicators shall not be lower than the average performance level of the same industry for such year, and not be lower than the industry level at the time of the relevant grant.
The Second Unlocking Period	The operating revenue in 2025 is not less than RMB231,200 million, and the profit margin in 2025 shall not be less than 9%, and the above indicators shall not be lower than the average performance level of the same industry for such year, and not be lower than the industry level at the time of the relevant grant.
The Third Unlocking Period	The operating revenue in 2026 is not less than RMB258,900 million, and the profit margin in 2026 shall not be less than 9%, and the above indicators shall not be lower than the average performance level of the same industry for such year, and not be lower than the industry level at the time of the relevant grant.

*Notes:*

1. The above financial indicators are subject to the audited financial reports of the Company for the respective year, and the effect of share-based payment expenses was excluded.
2. The abovementioned “profit margin” is the ratio of the Company’s total profit for the current year to its revenue for the current year. The calculation formula is: profit margin = total profit/revenue ×100%.
3. During the Validity Period of the Scheme, in case of any extreme circumstances which may severely affect the Company performance indicators (such as public issuance, non-public issuance, material asset reorganisation according to the decision of the relevant supervisory authority or implementation of corresponding strategic measures by the enterprise in response to the national policy and significant adjustment in policies) and render the performance indicators incomparable, the Board shall revert or adjust the corresponding performance indicators in accordance with the authorisation at the general meeting.
4. The Board is entitled to adjust and modify the abovementioned performance indicators and targets according to relevant factors such as the Company’s strategies and the market environment, but all corresponding adjustments and modifications shall be filed with the state-owned assets administration authority.

In the event that the performance appraisal targets under the Incentive Scheme are not achieved during an Unlocking Period, the Company shall repurchase all the Restricted Shares subject to unlocking in the corresponding Unlocking Period at the lower of the Grant Price or the market price of the A Shares.

2. Selection of industry peers

The Company falls within the “automobile manufacturing” under the “manufacturing” category based on the industry classification by the CSRC. The above average performance of the aforesaid “industry peers” refers to those of all A-share listed companies falling within the industry.

During the Validity Period of the Incentive Scheme, if the industry classification of the Company or the industry constituent stock of industry peers is adjusted by relevant institutions, the Company shall adopt the latest updated industry classification data for the appraisal in the respective year; if there are significant changes in the principal business or extreme values with significant deviation in the samples of industry peers, the Board shall remove or replace these samples in the year-end appraisal.

(IV) Comprehensive appraisal at the individual level

The comprehensive appraisal at the individual level is subject to the business unit appraisal result and the individual annual performance appraisal result.

1. Business unit appraisal

The relevant performance appraisal in respect of each of the business unit shall be implemented in accordance with the terms of the Grant Agreement entered into between the Company and the Incentive Participant, and pursuant to which the unlocking proportion from a business unit perspective (A) shall be determined. For Incentive Participants who need not take part in the business unit appraisal, the unlocking proportion from a business unit perspective (A) shall be treated as 100% as long as the corresponding performance appraisal target at the Company level has been met.

## 2. Individual annual performance appraisal

Individual annual performance appraisals of the Incentive Participants are conducted by year in accordance with the “Appraisal Management Measures for the Implementation of the 2023 Restricted A Share Incentive Scheme” and the appraisal measures internally announced by the Company for respective categories of Incentive Participants. The unlocking proportion from an individual perspective (B) is determined on the basis of the individual performance appraisal results during the corresponding accounting year with reference to the performance appraisal at the Company level. The relationship between the results of the individual annual performance appraisal and the unlocking proportion from an individual perspective (B) is detailed in the following table:

Annual performance appraisal result	Qualified				Unqualified
	S (Distinction)	A (Excellent)	B (Good)	C (Acceptable)	
The unlock proportion from an individual perspective (Proportion B)		100%		80%	0

The lock-up restrictions attached to the granted Restricted Shares for the Incentive Participants shall be eligible for unlocking if the Incentive Participants are qualified in their respective annual appraisals, and the Restricted Shares to be unlocked during the Unlocking Period = the Restricted Shares that are expected to be unlocked during the Unlocking Period × the unlocking proportion from a business unit perspective (A) × the unlocking proportion from an individual perspective (B). The Restricted Shares which have not been unlocked in the relevant Unlocking Period due to the individual performance appraisal results shall not be deferred to be unlocked in the subsequent Unlocking Period(s), but shall be repurchased by the Company at the lower of the Grant Price or the market price of the A Shares.

### III. Explanation on The Scientificity and Reasonableness of the Performance Appraisal Targets

The appraisal targets under the Incentive Scheme are of two folds, namely the performance appraisal at the Company level and the comprehensive appraisal at the individual level of the Incentive Participant (which is subject to the business unit appraisal result and the individual annual performance appraisal result).

For the performance appraisal at the Company level, two indicators, the operating revenue and the profit margin, were elected, reflecting the Company's sustainable profitability and enterprise growth. The performance indicators set by the Company are reasonable and scientific, taking into account the historical performance, business environment, industry conditions, as well as the Company's future development plan and other relevant factors. For the Incentive Participants, the performance indicators are clear and challenging. For the Company, the setting of the performance indicators will give the Incentive Participants an incentive to work diligently and contribute to the performance of the Company. The setting of the performance indicators will not only help the Company improve its competitiveness, help to increase the Company's attraction to talents in the industry, and will also play a positive role in promoting the construction of the company's core team. In the meantime, the setting of the performance indicators takes into account the interests of three parties, i.e. the Incentive Participants, the Company and the Shareholders, which will contribute to the future operations and development of the Company.

In addition to the performance appraisal at the Company level, the Incentive Scheme also establishes a strict performance appraisal system for all business units and individuals which will enable the Company to make a more accurate and comprehensive evaluation of the Incentive Participants' performance. The Company will determine whether an individual Incentive Participant satisfies the Unlocking Conditions for the granted Restricted Shares and the proportion to be unlocked based on the individual's relevant annual consolidated performance appraisal results.

**CHAPTER IX METHODS AND PROCEDURES FOR ADJUSTMENT OF  
THE INCENTIVE SCHEME**

**I. Method of Adjusting the Number of Restricted Shares**

During the period from the date of the announcement of the Incentive Scheme to the completion of registration of the Restricted Shares held by the Incentive Participants, in the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares, rights issue or share consolidation by the Company, the number of Restricted Shares shall be adjusted accordingly. The adjustment methods are set out below:

- (I) Conversion of capital reserve into share capital, distribution of script dividend and 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 conversion of capital reserve into share capital, distribution of script dividend and division of shares per Share (i.e. increase in the number of Shares for each Share held upon conversion of capital reserve into share capital, distribution of script dividend or division of shares);  $Q$  represents the number of the Restricted Shares after the adjustment.

- (II) Rights issue

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

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

- (III) Share consolidation

$$Q = Q_0 \times n$$

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

- (IV) Additional issuance of new shares

In case of additional issuance of new shares, the number of the Restricted Shares shall not be adjusted.

## II. Method of Adjusting the Grant Price of the Restricted Shares

During the period from the date of the announcement of the Incentive Scheme to the completion of registration of the Restricted Shares held by the Incentive Participants, in the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares, rights issue, share consolidation or distribution of dividends by the Company, the Grant Price of the Restricted Shares shall be adjusted accordingly. The adjustment methods are set out below:

- (I) Conversion of capital reserve into share capital, distribution of script dividend and division of shares

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of conversion of capital reserve into share capital, distribution of script dividend and division of shares per Share;  $P$  represents the Grant Price after the adjustment.

- (II) Rights issue

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

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

- (III) Share consolidation

$$P = P_0 \div n$$

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

- (IV) Distribution of dividends

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per Share;  $P$  represents the Grant Price after the adjustment.  $P$  shall be larger than 1 after the adjustment for distribution of dividends.

- (V) Additional issuance of new shares

In case of additional issuance of new Shares, the Grant Price of the Restricted Shares shall not be adjusted.

### III. Adjustment Procedures for the Incentive Scheme

An authorisation will be obtained at the general meeting to enable the Board to make necessary adjustments to the number and the Grant Price of Restricted Shares in the event of the aforementioned circumstances. Legal advisers shall give professional advices to the Board regarding whether such adjustments are made in compliance with the requirements under the Administrative Measures, the Articles of Association and the requirements under the Incentive Scheme. Upon consideration and approval by the Board on the proposed adjustment, the Company shall disclose the Board resolutions together with the opinions of the legal adviser in a timely manner.

**CHAPTER X ACCOUNTING TREATMENT FOR THE RESTRICTED SHARES****I. Accounting Treatment for The Restricted Shares**

In accordance with the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments, at each balance sheet date within the Lock-up Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked based on the latest information available such as the change in the number of persons eligible for unlocking of the Restricted Shares and achievement of the performance targets, and recognise the services received during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares as at the Grant Date.

**(i) Grant Date**

When the Company receives payment from the Incentive Participants for subscribing the Shares, the payment received for subscription is credited to bank deposit and the treasury shares are written off based on the cost of the treasury shares granted. At the same time, the capital reserve-equity premium is adjusted and the related liabilities are accrued for the repurchase obligations of the Scheme.

**(ii) Each balance sheet date within the Lock-up Period**

In accordance with the requirements of the accounting standards, at each balance sheet date within the Lock-up Period, services provided by the staff will be recognised in the costs or expenses, and the equity or liabilities will be recognised at the same time.

**(iii) Date of unlocking of lock-up restrictions**

On the date of unlocking of lock-up restrictions, the lock-up restrictions shall be unlocked if all Unlocking Conditions have been satisfied. In the event that the Unlocking Conditions for all or any part of the Shares have not been satisfied, such portion of Shares shall be lapsed or cancelled in accordance with the accounting standards and the relevant requirements.

**II. Basis for Determining the Fair Value of the Restricted Shares**

In accordance with the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments, the difference between the closing price of the A Shares and the Grant Price on the Grant Date will be treated as the cost of the share-based payment per each Restricted Share and will be finally recognised as share-based payment under the Incentive Scheme.

### III. The Expected Impact of the Implementation of the Restricted Share Incentive Scheme on Operating Performance in Each Period

Assuming the Company will grant 85,440,000 Restricted Shares to the Incentive Participants, the total amortisation expense of the Restricted Shares would be RMB555,360,000 (estimated based on the closing price on 24 October 2023). The total amortisation expense will be recognised in operating profit or loss in installments based on the unlocking proportions during the implementation of the Incentive Scheme. Assuming the Grant Date falls in the end of November 2023, the effect of Restricted Shares granted under the Scheme on accounting costs incurred in each period is shown in the table below:

<b>Total share-based payment expenses (RMB ten thousand)</b>	<b>2023</b> <i>(RMB ten thousand)</i>	<b>2024</b> <i>(RMB ten thousand)</i>	<b>2025</b> <i>(RMB ten thousand)</i>	<b>2026</b> <i>(RMB ten thousand)</i>	<b>2027</b> <i>(RMB ten thousand)</i>
55,536.00	1,619.80	19,437.60	18,743.40	10,644.40	5,090.80

*Note:* The above result does not represent the final accounting cost. In addition to the Grant Date, Grant Price and number of Restricted Shares granted, the accounting cost also relates to the actual number of Shares that are effective and lapsed. The final result of the impact of the implementation of the Share Incentive Scheme on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

Based on the current information, it is the Company's preliminarily estimation that, without taking into account the stimulation effect of the Incentive Scheme on the Company's performance, the amortisation of the expenses of the Restricted Shares will affect the profit of each year during the Validity Period. Taking into account the positive effect of the Restricted Share Incentive Scheme on the development of the Company, which will motivate the management team members, improve the operating efficiency and reduce the agency costs, the improvement of the Company's performance brought by the Incentive Scheme will be much higher than the increase in the expenses arising therefrom.

The estimate is based on certain assumed parameters and the actual costs of share incentives may vary with parameters as determined by the Board after the Grant Date. The Company will disclose specific accounting treatment and the impact on the financial data of the Company in its regular reports.

**CHAPTER XI PROCEDURES OF IMPLEMENTATION OF THE INCENTIVE SCHEME****I. Procedures for the Incentive Scheme to Become Effective**

- (I) The Remuneration Committee of the Board shall be responsible for the drafting of the Incentive Scheme.
- (II) The Board shall arrive at a resolution on the Incentive Scheme in accordance with the laws. When the Board considers and approves the Incentive Scheme, directors who have connected relationship shall abstain from voting.
- (III) The independent Directors and the Supervisory Committee shall issue opinions as to whether the Incentive Scheme may benefit the Group's sustainable development, and whether there is any apparent prejudice to the interests of the Company and the Shareholders as a whole.
- (IV) The Company shall carry out self-investigations on the trading of the Company's Shares and its derivatives by persons in possession of inside information and Incentive Participants within the six months prior to the announcement of the draft Incentive Scheme and set out whether there has been any insider trading. A person who possesses inside information and involves in trading the Shares shall not be an Incentive Participant, save as where such trading does not constitute insider trading pursuant to laws, administrative regulations and relevant judicial interpretations. A person who leaks inside information that leads to insider trading shall not be an Incentive Participant.
- (V) The Incentive Scheme shall become effective upon the approval by Shandong Heavy Industry Group Co., Ltd. having been obtained, the relevant registration procedures with the SASAC having been completed and approval by the Shareholders at the Company's general meeting having been obtained.

Before convening the general meeting, the Company shall publish a public notice setting out the names and positions of the Incentive Participants internally for not less than 10 days before convening such general meeting. The Supervisory Committee shall review the list of Incentive Participants and take sufficient consideration of the relevant opinions. The Company shall disclose, 5 days prior to the consideration of the Scheme at the general meeting, a description regarding the review on the list of Incentive Participants by the Supervisory Committee and the publication response.

When votes are to be casted at a general meeting in respect of the Incentive Scheme, the independent directors will collect voting proxies from the Company's shareholders in respect of the Incentive Scheme, and the Company shall provide online voting at the same time of providing on-site voting. The general meeting shall vote on the contents of the Incentive Scheme in accordance with Article 9 of the Administrative Measures with the approval of more than two-thirds of the voting rights held by shareholders who attend the meeting. The voting status of shareholders other than directors, supervisors, senior management and shareholders holding more than 5% of the Company's shares individually or in aggregate shall be separately counted and disclosed.

The shareholders who are the proposed Incentive Participants or have any connected relationships with the proposed Incentive Participants shall abstain from voting when the general meeting considers the Incentive Scheme.

- (VI) Upon the consideration and approval of the Incentive Scheme by general meeting of the Company and the satisfaction of the grant conditions stipulated in the Incentive Scheme, the Company shall grant the Restricted Shares to the Incentive Participants within the prescribed time. The Board is responsible for the grant, unlocking of lock-up restrictions and repurchase of Restricted Shares upon the grant of authorisation by the general meeting.

## II. Procedures for Granting the Restricted Shares

- (I) Following the consideration and approval of the Incentive Scheme at the general meeting, the Company shall sign the Grant Agreement to stipulate the rights and obligations of both parties. The Board shall handle the specific matters in respect of the grant of the Restricted Shares in accordance with the authorisation at the general meeting.
- (II) The Board shall consider and announce whether the conditions for the grant of equities to the Incentive Participants as set out in the Incentive Scheme have been fulfilled. The independent directors and the Supervisory Committee shall issue explicit opinions simultaneously. A law firm shall issue legal opinions on whether the conditions for the grant of equities to the Incentive Participants have been fulfilled.
- (III) The Supervisory Committee of the Company shall verify and issue opinions in respect of the Grant Date of the Restricted Shares and the list of Incentive Participants.
- (IV) In the event of any discrepancy between the equities granted by the Company to the Incentive Participants and the arrangements under the Incentive Scheme, the independent directors, the Supervisory Committee (in case where there are any changes to the Incentive Participants) the legal advisers and the independent financial adviser shall issue explicit opinions simultaneously.
- (V) Following the consideration and approval of the Incentive Scheme at the general meeting and the satisfaction of the grant conditions, the Company shall complete the grant of the Restricted Shares to the Incentive Participants and relevant registration and announcement procedures within 60 days. The Board shall make an announcement to disclose the implementation thereof in a timely manner upon the completion of registration of the Restricted Shares granted.

If the Company fails to complete the above procedures within 60 days, the Incentive Scheme shall be terminated, and the Board shall disclose the reason for such a failure in a timely manner and announce the termination of the implementation of the Incentive Scheme, and from 3 months of the announcement, shall not consider or disclose an share incentive scheme (any period during which the grant of Restricted

Shares is not allowed pursuant to the requirements under relevant laws and regulations and listing rules shall not be counted towards the abovementioned 60-day period).

- (VI) If a director or a member of the senior management of the Company, as an Incentive Participant, reduced his/her shareholding of the Company within 6 months before the grant of Restricted Shares but upon verification, there did not exist any trading with inside information, the Company may postpone the grant of Restricted Shares to 6 months after the date of the last trading of reduction of shareholding with reference to the short-swing trading provisions under the PRC Securities Law.
- (VII) The Company shall make an application to the SSE, and upon obtaining the confirmation from SSE, shall appoint a securities registration and clearing institution to handle the registration and clearing matters.
- (VIII) If the registered capital is designated to change upon completion of the registration of the Restricted Shares granted, the Company shall handle the registration procedures in relation to the changes of the Company with the industry and commerce registration department.

### **III. Procedures for Unlocking the Lock-up Restrictions of the Restricted Shares**

- (I) Prior to the date of unlocking of the lock-up restrictions, the Company shall confirm whether the Incentive Participants have satisfied the conditions for unlocking the Restricted Shares. The Board shall consider whether the conditions for unlocking the Restricted Shares under the Incentive Scheme have been fulfilled, and the independent directors and the Supervisory Committee shall issue explicit opinions simultaneously. A law firm shall issue legal opinions on whether the conditions for unlocking the Restricted Shares have been fulfilled. For the Incentive Participants who have fulfilled the conditions for unlocking the Restricted Shares, the Company shall handle the matters related to the unlocking of the Restricted Shares on a uniformed basis; and for the Incentive Participants who have not fulfilled the conditions for unlocking the Restricted Shares, the Company shall repurchase the tranche of Restricted Shares held by them that are being considered for unlocking. The Company shall make an announcement to disclose the implementation thereof in a timely manner.
- (II) Before the unlocking of Restricted Shares of the Incentive Participants, the Company shall file an application with the SSE. The securities registration and clearing institution will conduct the registration and settlement procedure thereof upon the confirmation by SSE being obtained.
- (III) Incentive Participants may transfer their unlocked Restricted Shares, provided that the transfer of such Shares held by the directors and senior management members of the Company shall be made in compliance with the requirements of the relevant laws, regulations and regulatory documents.

**IV. Procedures for Amendments to the Incentive Scheme**

- (I) Any proposed amendment to the Incentive Scheme by the Company prior to consideration of the Incentive Scheme at the General Meetings shall be subject to consideration and approval of the Board.
- (II) Any proposed amendment to the Incentive Scheme by the Company after consideration and approval of the Incentive Scheme at the general meeting shall be subject to consideration and determination at the general meeting, provided that such amendment shall not:
  - 1. result in premature unlocking of restriction;
  - 2. reduce the Grant Price.
- (III) The independent directors and the Supervisory Committee shall issue explicit opinions in respect of whether the amended scheme is beneficial to the Company's sustainable development and whether there is any apparent prejudice to the interests of the Company and all Shareholders.
- (IV) A law firm shall issue professional opinions in respect of whether the amended scheme is in compliance with the provisions of the Administrative Measures, the relevant laws and regulations, and whether there is any apparent prejudice to the interests of the Company and all Shareholders.

**V. Procedures for Termination of the Incentive Scheme**

- (I) Any proposed termination of the Incentive Scheme by the Company prior to the consideration of the Incentive Scheme at the general meeting shall be subject to consideration and approval of the Board.
- (II) Any proposed termination of the Incentive Scheme by the Company following the consideration of the Incentive Scheme at the general meeting shall be subject to consideration and approval of the general meeting.
- (III) A law firm shall issue professional opinions in respect of whether the termination of the Incentive Scheme is in compliance with the provisions of the Administrative Measures, the relevant laws and regulations, and whether there is any apparent prejudice to the interests of the Company and all Shareholders.
- (IV) Upon termination of the Incentive Scheme, the Company shall repurchase the Restricted Shares which have not been unlocked and shall deal with the repurchase in accordance with the requirements under the PRC Company Law.
- (V) The Company shall apply to the SSE before repurchasing the Restricted Shares. The securities registration and clearing institution will conduct registration and settlement procedure thereof upon confirmation by the SSE.
- (VI) When the Company is required to repurchase the Restricted Shares, it shall, within the scope of authorisation of the general meeting, promptly convene a board meeting to consider the repurchase plan, and make an announcement in a timely manner.

**CHAPTER XII RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE INCENTIVE PARTICIPANTS****I. Rights and obligations of the Company**

- (I) The Company shall have the right to require the Incentive Participants to perform their responsibilities based on the requirements of their positions. If the Incentive Participant is incompetent in performing his/her obligations or fails at the appraisal, the unlocked Restricted Shares of the Incentive Participant shall be repurchased by the Company upon approval by the Board.
- (II) The Company shall have the right to interpret and execute the Incentive Scheme and to appraise the performance of the Incentive Participants based on the requirements under the Incentive Scheme. If the Incentive Participant fails to fulfill the unlocking conditions required under the Incentive Scheme, the Company will repurchase the Restricted Shares, which have not been unlocked by the Incentive Participants, in accordance with the requirements under the Incentive Scheme.
- (III) If the Incentive Participants violate the laws and professional ethics, leak confidential information of the Company, or are negligent or misconduct in performance of duties, which may cause serious damage to the interests or reputation of the Company, the Company shall repurchase the unlocked Restricted Shares of the Incentive Participants and require the Incentive Participants to return the gains from the unlocked Restricted Shares upon approval of the Board.
- (IV) The Company shall withhold and pay, on behalf of the Incentive Participants, the individual income tax and other taxes and fees payable in accordance with the provisions of the national tax regulations.
- (V) The Company undertakes not to provide loans, guarantee for loans and any other forms of financial assistance to the Incentive Participants for acquiring the Restricted Shares under the Incentive Scheme.
- (VI) The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under the Restricted Shares Incentive Scheme in accordance with the relevant requirements.
- (VII) The Company shall actively cooperate with the Incentive Participants who have satisfied the conditions for unlocking the Restricted Shares in accordance with the relevant requirements of the Incentive Scheme and the CSRC, the SSE and the securities registration and clearing institution. However, the Company shall not be liable for any loss suffered by the Incentive Participants arising from the failure of the Incentive Participants to unlock the Restricted Shares at their own discretion due to reasons caused by the CSRC, the SSE and the securities registration and clearing institution.
- (VIII) The Company confirms that the eligibility of the Incentive Participants under the Scheme does not represent the right of such Participants to continue to serve the Company and does not constitute a commitment of employment for a fixed term by

the Company. The employment relationship between the Company and an Incentive Participant is still governed by the employment contract between the parties.

- (IX) Other relevant rights and obligations under the laws and regulations.

## II. Rights and obligations of the Incentive Participants

- (I) The Incentive Participants shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (II) The Incentive Participants shall lock up their granted Restricted Shares according to the requirements of the Incentive Scheme.
- (III) Source of funds shall be self-raised by the Incentive Participants.
- (IV) The Restricted Shares granted to the Incentive Participants shall enjoy the entitlements of the shares after registration of transferal by the securities registration and clearing institution, including but not limited to the rights to dividend and rights issue of such shares etc.
- (V) Prior to the unlocking of the Restricted Shares, the Restricted Shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred, used as guarantee or used for repayment of debts. The Shares acquired by the Incentive Participants due to the grant of the locked Restricted Shares to them arising from conversion of capital reserve into share capital, distribution of script dividend and division of shares, shall be subject to lock-up in accordance with the Incentive Scheme.
- (VI) Any gains of the Incentive Participants generated from the Incentive Scheme are subject to the individual income tax and other taxes and fees payable in accordance with the provisions of the national tax regulations.
- (VII) The Incentive Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant of the entitlements, the Incentive Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.
- (VIII) Upon consideration and approval of the Incentive Scheme at the general meeting, the Company will enter into the Grant Agreement with each of the Incentive Participants to specify their respective rights and obligations under the Incentive Scheme and other relevant matters.
- (IX) Other relevant rights and obligations under the laws and regulations.

**CHAPTER XIII HANDLING OF UNUSUAL MOVEMENTS IN THE COMPANY AND THE INCENTIVE PARTICIPANTS****I. Unusual Changes to the Company**

(I) The Scheme shall be terminated upon occurrence of any of the following events:

1. a certified public accountant having issued a negative opinion or was unable to express an opinion in respect of the Company's financial and accounting report for the latest fiscal year;
2. a certified public accountant having issued a negative opinion or was unable to express an opinion in respect of the Company's internal control over financial reporting for the latest fiscal year;
3. within the most recent 36 months and after the Company's listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
4. the relevant laws and regulations having prohibited the implementation of the share incentives;
5. other circumstances as stipulated by the CSRC where the Incentive Scheme shall be terminated.

In the event of termination of the Scheme by the Company as described above, the Restricted Shares granted, but not yet unlocked, to such Participant shall be repurchased by the Company. The repurchase price is the lower of the Grant Price and the market price of A Shares of the Company at the time of the repurchase.

(II) In case any of the following events occurs to the Company, the board of directors of the Company shall determine, since the date of occurrence of the relevant event, whether the Incentive Scheme shall be terminated:

1. change in control of the Company;
2. merger and division 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 conditions of grant or arrangements for unlocking the lock-up restrictions, all Restricted Shares which are not yet unlocked shall be repurchased by the Company. The repurchase price is the lower of the Grant Price and the market price of A Shares of the Company at the time of the repurchase. In respect of the Restricted Shares granted to the Incentive Participants which have been unlocked, all the Incentive Participants shall return to the Company all interests granted. If the Incentive Participants, who are not liable for the abovementioned events, suffer loss as a result of returning the interests, they may claim for damages against the Company or responsible parties in accordance with the arrangements under the Incentive Scheme.

The Board shall recover all the profits gained by the Incentive Participants in accordance with the preceding provisions and relevant arrangements under the Incentive Scheme.

## II. Changes to the Individual Circumstances of the Incentive Participants

- (I) When an Incentive Participant has a change in job positions, but still works in the Company or a branch or a subsidiary of the Company or is assigned by the Company, the Restricted Share granted to him/her will be fully regulated by the procedures as specified in the Incentive Scheme before the change of his/her job positions.

In case an Incentive Participant becomes an independent director or supervisor who cannot hold Restricted Shares of the Company, the Restricted Shares that have been granted to the Incentive Participant under the Scheme, but which remained unlocked, shall be repurchased by the Company at the Grant Price bearing interest on bank deposits for the same period.

- (II) If the labour relationship between an Incentive Participants and the Company is discharged or terminated due to objective reasons such as re-designation, removal, retirement, death or loss of civil capacity, provided that the year of termination falls within an Unlocking Period and the performance appraisal conditions of the granted interests have been fulfilled in the year of such termination, the unlockable portion of the Restricted Shares shall be unlocked within a half-year period after the date of such termination (or when it becomes unlockable), or else the interests will lapse after the half-year period. If the year of termination does not fall within an Unlocking Period or the performance appraisal conditions have not been fulfilled in the year of such termination, the relevant Restricted Shares shall no longer be unlocked. The Restricted Shares that have not been unlocked shall be repurchased by the Company at the Grant Price plus interest with reference to the bank lending rate for the same period.
- (III) If the labour relationship between an Incentive Participants and the Company is discharged or terminated due to personal reasons, the Restricted Shares granted but not yet unlocked shall be repurchased by the Company. The repurchase price is the lower of the Grant Price and the stock market price of the Company at the time of the repurchase.

- (IV) When any of the following events occurs to an Incentive Participant, the Company is entitled to request the return of gains from the Incentive Scheme by the Incentive Participant. The Restricted Shares granted but not yet unlocked shall be repurchased by the Company at a repurchase price which is the lower of the Grant Price and the market price of A Shares the Company at the time of the repurchase:
1. there occurs such conduct that violates national laws and regulations, occupational ethics, or negligence of duty or professional misconduct, which causes severe damage to the interests or the reputation of the Company and, directly or indirectly, causes financial losses to the Company or negative effect to society;
  2. where an Incentive Participant is dismissed due to violation of the Company's rules and regulation which constituted a serious disciplinary violation according to relevant provisions of the Company's reward and punishment;
  3. where the Company has sufficient evidence to prove an Incentive Participant, during his/her terms of office, has taken illegal or unethical actions such as accepting bribes, asking for bribes, committing corruption, theft and divulging operational and technical secrets, implementing related party transactions, which impose material adverse impact on the Company's reputation and image, and, directly or indirectly, cause financial losses to the Company or negative effect to society;
  4. where the Incentive Participant is prosecuted for committing a criminal offence;
  5. where the Incentive Participant causes improper losses to the Company as a result of violating the relevant laws and regulations or the Articles of Association;
- (V) Other circumstances not stated above and the handling method thereof shall be determined by the Board.

### **III. Settlement of Disputes between the Company and the Incentive Participants**

Any disputes or conflicts between the Company and the Incentive Participants arising from the implementation of the Incentive Scheme and/or the share incentive agreement entered into by both parties or any disputes or conflicts in connection with the Incentive Scheme and/or a share incentive agreement shall be settled through negotiation, communication or mediation by the Remuneration Committee of the Board. If the relevant dispute is not resolved through the abovementioned methods within 60 days from the date of occurrence of the dispute, either party is entitled to file a lawsuit with the People's Court with jurisdiction over the place where the Company is located.

## CHAPTER XIV PRINCIPLES OF REPURCHASE OF THE RESTRICTED SHARES

If the Company repurchases the Restricted Shares under the requirements of the Incentive Scheme, it will be executed in accordance with the relevant regulations of the Incentive Scheme except where an adjustment to the repurchase price is required under the Incentive Scheme.

### I. Method for Adjusting the Number of Shares to be Repurchased

Following the completion of registration of the Restricted Shares held by the Incentive Participants, in the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares, rights issue or share consolidation by the Company which may cause an effect on the Company's total share capital or the Company's share price, the number of Restricted Shares which are not yet unlocked shall be adjusted accordingly. The adjustment methods are set out below:

- (I) Conversion of capital reserve into share capital, distribution of script dividend and 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 conversion of capital reserve into share capital, distribution of script dividend and division of shares per Share (i.e. increase in the number of Shares for each Share held upon conversion of capital reserve into share capital, distribution of script dividend or division of shares);  $Q$  represents the number of the Restricted Shares after the adjustment.

- (II) Rights issue

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

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

- (III) Share consolidation

$$Q = Q_0 \times n$$

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

## (IV) Additional Issuance of new shares

In case of additional issuance of new shares, the number of the Restricted Shares shall not be adjusted.

**II. Methods of Adjusting Repurchase Price**

Following the completion of registration of the Restricted Shares held by the Incentive Participants, in the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares, rights issue, share consolidation or distribution of dividends by the Company which may cause an effect on the Company's total share capital or the Company's share price, the repurchase price of the Restricted Shares which are not yet unlocked shall be adjusted accordingly. The adjustment methods are set out below:

## (I) Conversion of capital reserve into share capital, distribution of script dividend and division of shares

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

Where: P represents the repurchase price per Restricted Shares after adjustment,  $P_0$  represents the Grant Price per Restricted Share; n represents the rate of increase per share resulting from conversion of capital reserve into share capital, distribution of script dividend and division of shares (i.e. the increase in number of shares per share upon conversion of capital reserve into share capital, distribution of script dividend and division of shares).

## (II) 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 share company prior to the rights issue).

## (III) Share consolidation

$$P = P_0 \div n$$

Where: P represents the repurchase price per 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).

(IV) Distribution of dividends

$$P = P_0 - V$$

Where:  $P_0$  represents the repurchase price per Restricted Share prior to adjustment;  $V$  represents the amount of dividends per share;  $P$  represents the repurchase price per Restricted Share after adjustment.  $P$  must remain greater than 1 after adjustment.

(V) Additional issuance of new shares

In case of additional issuance of new shares, the repurchase price of the Restricted Shares shall not be adjusted.

### III. Procedures for Adjustment of Repurchase Quantity or Price

- (I) The Board of the Company shall be authorised at the general meetings of Company to adjust the repurchase quantity and price of Restricted Shares based on the reasons listed above. After the adjustment according to the above provisions, an announcement shall be made in a timely manner.
- (II) The adjustment to the repurchase quantity and price of Restricted Shares for other reasons shall be subject to resolution of the Board and consideration and approval at the general meetings.

### IV. Procedures of Repurchase

The Board of the Company should, within the scope of the authorisation of the general meeting, determine the repurchase plan related to the above provisions, and where the relevant matter requires the approval of the general meeting, it should be submitted to the general meeting for approval. When making a repurchase pursuant to the provisions of the Scheme, the Company shall apply to the SSE for unlocking the lock-up restrictions of such Restricted Shares. The securities registration and clearing institution will conduct registration and settlement procedure thereof upon confirmation by such exchange.

## CHAPTER XV OTHER SIGNIFICANT MATTERS

- I. The Company shall not provide loans, guarantee for loans and financial support in any other forms, to the Incentive Participants with respect to the acquisition of the Restricted Shares under the Incentive Scheme.
- II. Where any terms of the Incentive Scheme are in conflict with any provision of the relevant PRC laws, regulations and administrative rules and regulatory documents, the provision of such laws, regulations and administrative rules and regulatory documents shall prevail. Where it is not explicitly provided in the Incentive Scheme, it shall be subject to or adjusted pursuant to the relevant PRC laws, regulations and administrative rules and regulatory documents.
- III. Where Participants are in violation of the Incentive Scheme, the Articles of Association or relevant PRC laws, regulations and administrative rules and regulatory documents, all gains arising from the disposal of the shares granted under the Incentive Scheme shall belong to the Company and the Board of Directors of the Company shall be responsible for the implementation.
- IV. The Scheme is subject to the approval by Shandong Heavy Industry, filing and approval by the SASAC and consideration and approval at the general meetings.
- V. The Incentive Scheme shall be interpreted by the Board of Directors of the Company.

**The Board of Directors of  
Weichai Power Co., Ltd.**

24 October 2023

Stock Abbreviation: Weichai Power

Stock Code: 000338

**WEICHAI POWER CO., LTD.**

**Appraisal Management Measures for the  
Implementation of the 2023 Restricted A Share  
Incentive Scheme**

Weichai Power Co., Ltd.  
October 2023

In order to further improve the corporate governance structure of Weichai Power Co., Ltd. (the “Company”), establish and improve Company’s long-term restricted incentive mechanism, form a refined and balanced value distribution system, attract and retain talents, fully mobilise the Company’s core management team and core staff, facilitate a stable growth in the Company’s performance and ensure the realisation of the Company’s long term development strategy and performance targets, the Company has proposed to implement the 2023 Restricted A Share Incentive Scheme (the “Restricted Share Incentive Scheme” or the “Incentive Scheme”).

In order to ensure the smooth and orderly implementation of the Incentive Scheme, these Measures have been formulated in accordance with the applicable laws, regulations and regulatory documents such as the Company Law of the People’s Republic of China; the Securities Law of the People’s Republic of China and the Administrative Measures on Share Incentives of Listed Companies as well as the Articles of Association of the Weichai Power Co., Ltd. (“the Articles of Association”) and the relevant provisions under the Restricted Share Incentive Scheme, with reference to the Company’s actual situation.

#### **I. PURPOSE OF THE APPRAISAL**

The purpose of the appraisal is to further improve and modernise the Company’s corporate governance structure, establish and improve the Company’s long-term incentive and restrain mechanism, ensure the smooth implementation of the Company’s Restricted Share Incentive Scheme and maximise the benefits of share incentive to ensure the realisation of the Company’s long term development strategy and performance targets.

#### **II. PRINCIPLE OF THE APPRAISAL**

The appraisal must adhere to the principles of justice, openness and fairness, and be carried out in strict accordance with these Measures and the performance of the Incentive Participants, in order to align the linkage between the Restricted Share Incentive Scheme with the performance and contribution of the Incentive Participants, improve the management performance, and maximise the benefits of the Company and all Shareholders.

#### **III. SCOPE OF THE APPRAISAL**

These Measures are applicable to all Incentive Participants participating in the Company’s Restricted Share Incentive Scheme, including directors, senior management officers, middle management officers, and core technology (business) staff of the Company (including its branches and subsidiaries).

#### **IV. APPRAISAL BODIES**

- (I) The remuneration committee of the board of directors is responsible for leading and organising the appraisal of the Incentive Participants.

- (II) The organisation human resources department is responsible for the organising the appraisal work, and together with the relevant departments including the operation management department and the finance management department are responsible for the collection and provision of relevant data, and are accountable for the authenticity and reliability of the data. They are also responsible for the calculation of appraisal scores of the Incentive Participants and the compilation of the appraisal results.
- (III) The Remuneration Committee under the Board shall consider and form a decision on the appraisal results of the Incentive Participants.

## V. APPRAISAL INDICATORS AND STANDARDS

### (I) Performance appraisal targets at the Company level

1. *Performance appraisal targets at the Company level under the Incentive Scheme for each year are set out below:*

Unlocking Periods	Performance appraisal targets
The First Unlocking Period	The operating revenue in 2024 is not less than RMB210,200 million, and the profit margin in 2024 shall not be less than 8%; the aforementioned targets shall not be lower than the average performance level of the same industry in the relevant year, and not lower than the industry level at the time of the grant.
The Second Unlocking Period	The operating revenue in 2025 is not less than RMB231,200 million, and the profit margin in 2025 shall not be less than 9%; the aforementioned targets shall not be lower than the average performance level of the same industry in the relevant year, and not lower than the industry level at the time of the grant.
The Third Unlocking Period	The operating revenue in 2026 is not less than RMB258,900 million, and the profit margin in 2026 shall not be less than 9%; the aforementioned targets shall not be lower than the average performance level of the same industry in the relevant year, and not lower than the industry level at the time of the grant.

*Notes:*

1. The above financial indicators are subject to the audited financial reports of the Company for the respective year, and the effect of share-based payment expenses was excluded.
2. The abovementioned “profit margin” is the ratio of the Company’s total profit for the current year to its revenue for the current year. The calculation formula is: profit margin = total profit/revenue ×100%.
3. During the Validity Period of the Scheme, in case of any extreme circumstances which may severely affect the Company performance indicators (such as public issuance, non-public issuance, material asset reorganisation according to the decision of the relevant supervisory authority or implementation of corresponding strategic measures by the enterprise in response to the national policy and significant adjustment in policies) and render the performance indicators incomparable, the Board shall revert or adjust the corresponding performance indicators in accordance with the authorisation at the general meeting.
4. The Board is entitled to adjust and modify the abovementioned performance indicators and targets according to relevant factors such as the Company’s strategies and the market environment, but all corresponding adjustments and modifications shall be filed with the state-owned assets administration authority.

In the event that the performance appraisal targets under the Incentive Scheme are not achieved during an Unlocking Period, the Company shall repurchase all the Restricted Shares subject to unlocking in the corresponding Unlocking Period at the lower of the Grant Price or the market price of the A Shares.

## 2. *Selection of industry peers*

The Company falls within the “automobile manufacturing” under the “manufacturing” category based on the industry classification by the CSRC. The above average performance of the aforesaid “industry peers” refers to those of all A-share listed companies falling within the industry.

During the Validity Period of the Incentive Scheme, if the industry classification of the Company or the industry constituent stock of industry peers is adjusted by relevant institutions, the Company shall adopt the latest updated industry classification data for the appraisal in the respective year; if there are significant changes in the principal business or extreme values with significant deviation in the samples of industry peers, the Board shall remove or replace these samples in the year-end appraisal.

## (II) **Comprehensive appraisal at the individual level of the Incentive Participants**

The comprehensive appraisal at the individual level of the Incentive Participants is subject to the business unit appraisal result and the individual annual performance appraisal result.

### 1. *Business unit appraisal*

The relevant performance appraisal in respect of each of the business unit shall be implemented in accordance with the terms of the relevant grant agreement entered into between the Company and the Incentive Participant, and pursuant to which the unlocking proportion from a business unit perspective (Proportion A) shall be determined. For Incentive Participants who need not take part in the business unit appraisal, the unlocking proportion from a business unit perspective (Proportion A) shall be treated as 100% as long as the corresponding performance appraisal target at the Company level has been met.

## 2. *Individual annual performance appraisal*

Individual annual performance appraisals of the Incentive Participants are conducted by year in accordance with these Measures and the appraisal measures internally announced by the Company for respective categories of Incentive Participants. The unlocking proportion from an individual perspective is determined on the basis of the individual performance appraisal results during the corresponding accounting year with reference to the performance appraisal at the Company level. The relationship between the results of the individual annual performance appraisal and the unlocking proportion from an individual perspective is detailed in the following table:

Annual performance appraisal result	Qualified				Unqualified
	S (Distinction)	A (Excellent)	B (Good)	C (Acceptable)	D (Unacceptable)
The unlock proportion from an individual perspective (Proportion B)	100%			80%	0

The lock-up restrictions attached to the granted Restricted Shares for the Incentive Participants shall be eligible for unlocking if the Incentive Participants are qualified in their respective annual appraisals, and the Restricted Shares to be unlocked during the Unlocking Period = the Restricted Shares that are expected to be unlocked during the Unlocking Period × the unlocking proportion from a business unit perspective (Proportion A) × the unlocking proportion from an individual perspective (Proportion B).

The Restricted Shares which have not been unlocked in the relevant Unlocking Period due to the individual performance appraisal results shall not be deferred to be unlocked in the subsequent Unlocking Period(s), but shall be repurchased by the Company at the lower of the Grant Price or the market price of the A Shares.

**VI. APPRAISAL PERIOD AND FREQUENCY**

The appraisal period of the Incentive Scheme is the three fiscal years from 2024 to 2026. The performance appraisal at the Company level and the comprehensive appraisal at the individual level are assessed once a year.

**VII. APPRAISAL PROCEDURES**

- (I) Relevant departments including the organisation human resources department shall be responsible for the specific appraisal work under the guidance of the Remuneration Committee of the Board, which include the calculation of the appraisal scores of the Incentive Participants and the compilation of the performance appraisal results, and, on such basis, the performance appraisal report shall be compiled.
- (II) The Remuneration Committee of the Board shall review and form a decision on the performance appraisal report.

**VIII. Management of appraisal results****(I) Feedback of appraisal results and appeal**

The person subject to appraisal has the right to be notified of his/her appraisal results. The Remuneration Committee of the Board shall notify such person subject to appraisal the appraisal result within 5 working days after the completion of the appraisal.

If the person subject to appraisal objects to his/her own appraisal result, the objection should first be resolved through communication with the Remuneration Committee. If the objection cannot be resolved through such communication, the person subject to appraisal may appeal to the Remuneration Committee. The Remuneration Committee shall review and determine the final appraisal result or grade within five working days.

**(II) Archiving of appraisal results**

After the completion of the appraisal, the performance appraisal results shall be archived and maintained as confidential information.

**IX. SUPPLEMENTAL PROVISIONS**

- (I) These Measures shall be formulated, interpreted and amended by the Board.
- (II) These Measures shall come into effect as of the date of approval at the general meeting of the Company and shall be implemented upon the Incentive Scheme becoming effective.

The Board of Directors of  
**Weichai Power Co., Ltd.**

24 October 2023



潍柴動力股份有限公司

**WEICHAI POWER CO., LTD.**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2338)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF  
THE SHAREHOLDERS OF WEICHAI POWER CO., LTD.**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Weichai Power Co., Ltd. (the “**Company**”) will be held at the Company’s conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People’s Republic of China on 13 November 2023 at 2:50 p.m. for the purposes of considering and, if thought fit, approving the matters set out below. Unless the context otherwise requires, terms defined in the circular to the shareholders of the Company dated 27 October 2023, of which this notice forms part (the “**Circular**”) shall have the same meaning when used herein.

**AS SPECIAL RESOLUTIONS**

1. To consider and approve the proposed adoption of the Incentive Scheme of the Company and its summary.
2. To consider and approve the proposed adoption of the Appraisal Management Measures.
3. To consider and approve the proposed authorisation to the board of directors of the Company to deal with matters relating to the Incentive Scheme.

By Order of the Board of Directors  
**Weichai Power Co., Ltd.**  
**Tan Xuguang**  
*Chairman*

Hong Kong, 27 October 2023

## NOTICE OF EGM

*Notes:*

- (A) The Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited (“**H Shares**”) from 8 November 2023 to 13 November 2023 (both days inclusive). Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited on 13 November 2023 are entitled to attend and vote at the EGM following completion of the registration procedures. To qualify for attendance and voting at the EGM, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company’s H-Share Registrar, not later than 4:30 p.m. on 7 November 2023. The address of the Company’s H-Share Registrar is as follows:

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen’s Road East  
Wanchai  
Hong Kong

- (B) Each holder of H Shares of the Company entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company. With respect to any shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- (C) Holders of H Shares of the Company must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder or by a person duly authorised by the relevant shareholder in writing (a “**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorisation (if any) must be notarised. If a corporate shareholder appoints a person other than its legal representative to attend the EGM on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate shareholder or duly signed by its director or any other person duly authorised by that corporate shareholder as required by the Articles of Association of the Company.
- (D) To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant documents of authorisation (if any) as mentioned in Note (C) above must be delivered to the Company’s H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM.
- (E) Each holder of A shares (being ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are traded in Renminbi and listed on the Shenzhen Stock Exchange (“**A Shares**”) who is entitled to attend and vote at the EGM may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company. Notes (B) and (C) above also apply to the holders of A Shares of the Company, except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorisation (if any) must be delivered to the Secretary to the board of Directors of the Company not less than 24 hours before the time appointed for the EGM. The address of the Secretary to the board of Directors of the Company is as follow:

The office of the Board of Directors  
197, Section A, Fu Shou East Street  
High Technology Industrial Development Zone  
Weifang  
Shandong Province  
The People’s Republic of China  
Postal Code: 261061  
Telephone No.: 86 (536) 819 7069  
Facsimile No.: 86 (536) 819 7073

## NOTICE OF EGM

- (F) A shareholder or his/her proxy should produce proof of identity when attending the EGM. If a corporate shareholder's legal representative or any other person authorised by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative and the valid resolution or authorisation document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.
- (G) Any proposal to appoint any person to the office of director of the Company at the EGM shall be given in writing and, notice in writing by that person of his consent to be elected as director shall be, lodged at the registered office of the Company at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People's Republic of China. The period for lodgement of such notices shall commence on (and include) the day after the date of this notice of the EGM and end on (and exclude) the date that is seven (7) days before the date of the EGM.
- (H) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.

*As at the date of this notice, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Ma Changhai, Mr. Wang Decheng, Mr. Sun Shaojun, Mr. Yuan Hongming, and Mr. Ma Xuyao; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Richard Robinson Smith and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Ms. Jiang Yan, Mr. Yu Zhuoping, Mr. Chi Deqiang, Mr. Zhao Fuquan and Mr. Xu Bing.*