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

If you have sold or transferred all your shares in JL MAG Rare-Earth Co., Ltd., you should at once hand this circular and the accompanying form(s) of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

金力永磁
JL MAG

JL MAG RARE-EARTH CO., LTD.

江西金力永磁科技股份有限公司

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

(Stock Code: 06680)

- (1) PROPOSED ADOPTION OF THE 2025 H SHARE RESTRICTED SHARE SCHEME AND
THE 2025 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**
- (2) ENGAGEMENT OF AUDITORS FOR THE YEAR 2025**
- (3) APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND
ITS SUBSIDIARIES AND THE RELATED GUARANTEE**
- (4) PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND
SENIOR MANAGEMENT**
- (5) HANDLING MATTERS IN RELATION TO THE SMALL-SCALE RAPID FINANCING**
- (6) GENERAL MANDATE TO ISSUE ADDITIONAL A SHARES OR H SHARES OF THE COMPANY**
- (7) GENERAL MANDATE TO ISSUE DOMESTIC AND OVERSEAS DEBT FINANCING INSTRUMENTS**
- (8) GENERAL MANDATE GRANTED TO THE BOARD OF DIRECTORS TO REPURCHASE SHARES**
- (9) CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING**
- (10) CHANGE OF REGISTERED CAPITAL OF THE COMPANY AND AMENDMENTS TO THE
ARTICLES OF ASSOCIATION**
- AND**
- (11) NOTICE OF THE 2024 ANNUAL GENERAL MEETING**

The notice convening the 2024 annual general meeting (the "AGM") to be held at the conference room of Jinjiang International Hotel, 88 Jindongbei Road, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC on Wednesday, May 28, 2025 at 2:30 p.m. is set out in this circular.

Whether or not you are able to attend the AGM, please complete and sign the form of proxy for use at the AGM in accordance with the instructions printed thereon and return them to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 2:30 p.m. on Tuesday, May 27, 2025). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case maybe) if you so wish.

This circular together with the form of proxy are also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.jlmag.com.cn).

May 7, 2025

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DEFINITIONS

In this circular, the following expression shall have the meanings set out below unless the context requires otherwise:

“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.00 each listed on the ChiNext Market of the Shenzhen Stock Exchange and traded in RMB
“A Share Employee Stock Ownership Plan” or “ESOP”	the 2025 A Share Employee Stock Ownership Plan to be adopted by the Company as proposed by the resolution of the Board dated March 28, 2025
“A Share Repurchase Mandate”	the general mandate proposed to be granted to the Board to repurchase A Shares not exceeding 10% of the number of A Shares in issue (excluding treasury A Shares) as at the date of passing the proposed relevant resolutions at the AGM
“A Shareholder(s)”	Holder(s) of A Shares
“Administrative Measures”	the Administrative Measures on Equity Incentives of Listed Companies
“Adoption Date”	the date on which the H Share Restricted Share Scheme is approved and adopted at general meeting
“AGM” or “2024 AGM”	the 2024 annual general meeting of the Company to be held on Wednesday, May 28, 2025 at 2:30 p.m. at the conference room of Jinjiang International Hotel, 88 Jindongbei Road, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC, the notice of which is set out on pages 125 to 128 of this circular
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Day”	the days, excluding Saturdays, Sundays or public holidays, on which the Stock Exchange is open for trading and banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32 of the Laws of Hong Kong)
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“core connected persons”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Rules”	the Proposed Amendments to the Rules of Procedure for General Meetings, Rules of Procedure for the Board of Directors and the Working Rules for Independent Directors
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company or any one of them
“Eligible Participant(s)”	in respect of the H Share Restricted Share Scheme, any individual being an Employee Participant or Related Entity Participant at any time during the Term of the Scheme
“Employee Participant(s)”	directors, supervisors and employees (including full-time and part-time employees) of the Company or any of its subsidiaries (including persons who are granted H Shares under the H Share Restricted Share Scheme as an inducement to enter into employment contracts with the Group companies)
“Excluded Participant(s)”	any Eligible Participants who, according to the laws or regulations of their place of residence, are not permitted to be granted Incentive Shares and/or to vest and transfer the Incentive Interests pursuant to the terms of the Scheme, or whom the Board or the Trustee (as the case may be), deems necessary or appropriate to exclude for compliance with applicable laws or regulations in such places
“Global Offering”	the global offering of the Company

DEFINITIONS

“Grant Date”	in respect of the H Share Restricted Share Scheme, the date (which shall be a Business Day) on which the grant of Incentive Shares is made to an Eligible Participant
“Grant Instrument”	has the meaning ascribed to it under the Rules for the H Share Restricted Share Scheme. Upon the Board’s determination to grant Incentive(s) to any Selected Participants, the Board shall facilitate the Company and the Eligible Participants to execute a written instrument setting out the details of the Incentive(s) granted and the conditions for the grant of such Incentive
“Group”	the Company and its subsidiaries
“H Share Registrar” or “Hong Kong H Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s H Share Registrar
“H Share Repurchase Mandate”	the general mandate proposed to be granted to the Board to repurchase H Shares not exceeding 10% of the number of H Shares in issue (excluding Treasury Shares, if any) as at the date of passing the proposed relevant resolutions at the AGM
“H Share Restricted Share Scheme” or “Scheme”	the 2025 H Share Restricted Share Scheme to be adopted by the Company as proposed by the resolution of the Board dated March 28, 2025
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each listed on the Stock Exchange and traded in HK\$
“HK\$” or “Hong Kong Dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Incentive(s)”	in respect of the H Share Restricted Share Scheme, the Incentive Interests granted by the Board to any Selected Participant in accordance with the Rules for the H Share Restricted Share Scheme

DEFINITIONS

“Incentive Interests”	in respect of the Incentives under the H Share Restricted Share Scheme, the Incentive Shares and/ or incentive cash, and the related income (if any) as granted under the Incentive(s)
“Incentive Share(s)”	in respect of a Selected Participant under the H Share Restricted Share Scheme, such number of H Shares as granted to him/her by the Board
“Independent Director(s)”	the independent non-executive Directors of the Company
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not the Company’s connected persons and their associates (as defined under the Listing Rules)
“Jiangxi Ruide”	Jiangxi Ruide Venture Investment Co., Ltd., a company established in the PRC on July 9, 2008, and a controlling shareholder of the Company
“JL MAG”, “Company” or “Our Company”	JL MAG Rare-Earth Co., Ltd. (江西金力永磁科技股份有限公司)
“Latest Practicable Date”	April 29, 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Date”	Friday, January 14, 2022, being the date on which the H Shares were listed on the Stock Exchange and permitted to commence trading on the Stock Exchange
“Participant”	any person deemed eligible to participate in the A Share Employee Stock Ownership Plan
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, shall exclude the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“PRC Company Law”	The Company Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Purchase Price”	in respect of the H Share Restricted Share Scheme, the consideration determined at the sole and absolute discretion of the Board payable by a Selected Participant to the Company upon execution of the Vesting Instrument
“Related Entity(ies)”	the holding companies, fellow subsidiaries or associated companies of the Company
“Related Entity Participant(s)”	directors, chief executives and employees of the Related Entity(ies), provided that the Board shall have absolute discretion to determine whether or not one falls within such category
“Relevant Scheme(s)”	the H Share Restricted Share Scheme together with any other share schemes involving the issue of new Shares adopted/to be adopted by the Company from time to time
“Remuneration Committee”	remuneration and appraisal committee of the Board of the Company
“Repurchase Mandates”	the A Share Repurchase Mandate and the H Share Repurchase Mandate
“Returned Shares”	such Incentive Shares which are not vested and/or lapsed in accordance with the terms of the H Share Restricted Share Scheme, or such H Shares being deemed to be returned pursuant to the Rules for the H Share Restricted Share Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Rules for the H Share Restricted Share Scheme” or “Scheme Rules”	relevant rules of the H Share Restricted Share Scheme
“Scheme Mandate Limit”	the total number of Shares which may be issued in respect of all options, if any, and/or Incentives and/or awards to be granted under the Relevant Schemes
“Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Securities Law”	the Securities Law of the People’s Republic of China

DEFINITIONS

“Selected Participant(s)”	Eligible Participant(s) (or their legal personal representatives or successors, as the case may be) selected by the Board pursuant to the Scheme Rules for participation in the Scheme
“Senior Management”	senior management of the Company
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ general meeting”	the general meeting of the Company
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“trading day”	means a day on which the Hong Kong Stock Exchange is open for the dealing or trading in securities
“Treasury Shares”	H Shares held in treasury
“Trust”	in respect of the H Share Restricted Share Scheme, the trust constituted by the Trust Deed
“Trust Deed”	in respect of the H Share Restricted Share Scheme, the trust deed to be entered into between the Company as trustor and the Trustee as trustee of the Trust (as restated, supplemented and amended from time to time)
“Trust Period”	the period from the date of establishment to the termination of the Trust according to the Trust Deed
“Trustee”	Vistra Trust (Hong Kong) Limited, being the trustee appointed under the Trust Deed to act as trustee of the Trust

DEFINITIONS

“Underlying Shares”	The ordinary A shares transferred to and held by the Employee Share Ownership Plan in a legally compliant manner
“unit(s)”	entitlements under the ESOP as granted to the Participants, that are subject to vesting or unlocking conditions under the terms of the ESOP
“Vesting Date”	in respect of a Selected Participant under the H Share Restricted Share Scheme, the date on which the rights of the Incentive(s) are vested in such Selected Participant pursuant to the Rules for the H Share Restricted Share Scheme and other terms of the Scheme
“%”	per cent

LETTER FROM THE BOARD

金力永磁
JL MAG

JL MAG RARE-EARTH CO., LTD.

江西金力永磁科技股份有限公司

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

(Stock Code: 06680)

Executive Directors:

Mr. Cai Baogui

Mr. Lyu Feng

Non-executive Directors:

Mr. Hu Zhibin

Mr. Li Xinnong

Mr. Liang Minhui

Mr. Li Xiaoguang

Independent Non-executive Directors:

Mr. Zhu Yuhua

Mr. Xu Feng

Ms. Cao Ying

Registered office and principal place of business in the PRC:

Industrial Area, Economic and Technological Development Zone
Ganzhou City, Jiangxi Province
81 West Jinling Road, Economic and Technological Development Zone
Ganzhou City, Jiangxi Province, the PRC

Place of business in Hong Kong:

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

Jiangxi, May 7, 2025

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF THE 2025 H SHARE RESTRICTED SHARE SCHEME AND THE 2025 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN
(2) ENGAGEMENT OF AUDITORS FOR THE YEAR 2025
(3) APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND THE RELATED GUARANTEE
(4) PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
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(6) GENERAL MANDATE TO ISSUE ADDITIONAL A SHARES OR H SHARES OF THE COMPANY
(7) GENERAL MANDATE TO ISSUE DOMESTIC AND OVERSEAS DEBT FINANCING INSTRUMENTS
(8) GENERAL MANDATE GRANTED TO THE BOARD OF DIRECTORS TO REPURCHASE SHARES
(9) CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING
(10) CHANGE OF REGISTERED CAPITAL OF THE COMPANY AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(11) NOTICE OF THE 2024 ANNUAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide Shareholders with information in respect of certain resolutions to be proposed at the AGM to be held on Wednesday, May 28, 2025 at 2:30 p.m. to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM. For the details of the proposed resolutions at the AGM, please also refer to the notice of the AGM enclosed with this circular and the Company's annual report for 2024.

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MATTERS TO BE RESOLVED AT THE AGM

(1) PROPOSED ADOPTION OF THE 2025 H SHARE RESTRICTED SHARE SCHEME AND THE 2025 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

I. Proposed Adoption of the H Share Restricted Share Scheme and the A Share Employee Stock Ownership Plan

The Board has resolved, at the Board meeting held on March 28, 2025, to propose the adoption of the 2025 H Share Restricted Share Scheme and the 2025 A Share Employee Stock Ownership Plan by the Company, the purposes of which are to reward Eligible Participants and Participants for their contributions and attract suitable personnel for the further development of the Group. The Incentive Shares granted under the H Share Restricted Share Scheme shall be satisfied by new shares, being ordinary H Shares issued and allotted by the Company pursuant to the Scheme Mandate Limit. The Company has no intention to use Treasury Shares as the source for the H Share Restricted Share Scheme. The Underlying Shares for the A Share Employee Stock Ownership Plan shall be satisfied by the Company's A Shares repurchased from the secondary market in 2023.

2025 H Share Restricted Share Scheme

Reference is made to the announcement of the Company dated March 28, 2025, in relation to, among others, the proposed adoption of the H Share Restricted Share Scheme by the Board on even date. In arriving at such decision, the Board has considered that the offering of restricted shares (H Shares) provides the Company with more flexible and effective means to reward, retain, attract, incentivize and motivate talents to support the development and growth of the Group as well as aligning the interests of the Selected Participants with that of the Company, the Group and the Shareholders to motivate value creation. Thus, the Board considers that the adoption of the H Share Restricted Share Scheme which complies with the latest requirements under Chapter 17 of the Listing Rules where Incentives are offered in the form of restricted shares (H Shares) and extended to cover non-employee participants (i.e. Related Entity Participants) shall serve the twin purposes of incentivizing a wider cohort of Selected Participants as well as providing such further means of satisfying the grant of an Incentive (i.e. through the issuance of "new H Shares" (not including Treasury Shares)). In view of the foregoing, the Board has resolved (i) to propose the adoption of the H Share Restricted Share Scheme, and (ii) that an ordinary resolution be proposed at the AGM for the Shareholders to consider, and if thought fit, to approve the adoption of the H Share Restricted Share Scheme. Unless otherwise defined, capitalised terms used herein shall have the same meanings ascribed thereto in Appendix II to this Circular.

LETTER FROM THE BOARD

Subject to the H Share Restricted Share Scheme taking effect, the Company has appointed, Vistra Trust (Hong Kong) Limited, an Independent Third Party as Trustee to assist with the administration and vesting of Incentives granted under the H Share Restricted Share Scheme. The Company shall issue and allot H Shares to the Trustee under the Scheme Mandate Limit to satisfy the Incentives granted under the H Share Restricted Share Scheme. The Trustee's subscription of such H Shares to be issued shall be funded by the Company by utilising its internal resources. The H Shares once issued shall be held on trust for the Selected Participants until the end of each vesting period. When a Selected Participant has satisfied all vesting conditions (so specified by the Board upon the granting of Incentive(s) thereto, as set forth in the relevant Grant Instrument) and after the execution of the Vesting Instrument, the delivery of the Vesting Documents and the payment of the relevant Purchase Price by the Selected Participant, he/she shall become entitled to the Incentive Shares so vested at the end of each specified vesting period. The Board and/or the Scheme Administrator (as the case may be) shall direct or procure the Trustee to release from the Trust Fund the relevant number of vested Incentive Shares to such Selected Participant by transferring the underlying H Shares thereto.

The Trustee shall not exercise any voting rights in respect of any H Shares held under the Trust, and shall hold the Trust Fund (including the H Shares that form part thereof) in accordance with the terms of the Trust Deed. For the avoidance of doubt, the Trustee shall abstain from voting on matters that require shareholders' approval under the Listing Rules, As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Directors is or will be a trustee of the H Share Restricted Share Scheme nor has or will have any direct or indirect interest in the Trustee.

The H Share Restricted Share Scheme shall be subject to the administration of the Board in accordance with the terms and conditions as set forth in the Rules for the H Share Restricted Share Scheme, under which the Board has the absolute authority to give any direction, instruction or recommendation to the Trustee or from which the Trustee seeks direction, instruction or recommendation with respect to the H Share Restricted Share Scheme and the Trust. Without prejudice to the Board's general power of administration, the Board may resolve to delegate any or all of the Board's rights and duties to another committee of the Board or management committee or to one or more officers of the Company ("**Scheme Administrator**") in accordance with the Rules for the H Share Restricted Share Scheme and the Trust Deed. In the case where no such Scheme Administrator is appointed, the Scheme Administrator shall mean the Board.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders and any of their respective close associates had any material interest in the adoption of the H Share Restricted Share Scheme. As such, no Shareholder is required to abstain from voting on the resolutions in relation thereto. Subject to the aforementioned approval of

LETTER FROM THE BOARD

the Shareholders at general meeting, the H Share Restricted Share Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date (“**Scheme Period**”).

Conditions Precedent to the H Share Restricted Share Scheme

The H Share Restricted Share Scheme shall become effective upon fulfilment of the following conditions:

- (1) the passing of the necessary resolution by the Shareholders to approve the adoption of the H Share Restricted Share Scheme and the Scheme Mandate Limit, and to authorize the Board to grant Incentive(s) to the Selected Participants and to allot, issue and deal with the H Shares which may fall to be issued by the Company in respect of the Incentives granted under the H Share Restricted Share Scheme; and
- (2) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued and allotted pursuant to the H Share Restricted Share Scheme.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any new H Shares which may fall to be issued and allotted pursuant to the Incentives granted under the H Share Restricted Share Scheme.

Overview of the Terms of the H Share Restricted Share Scheme

The full terms of the H Share Restricted Share Scheme will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.jlimg.com.cn for a period of 14 days before the date of the AGM and will be made available for inspection at the AGM. A summary of the principal terms of the H Share Restricted Share Scheme is set out in Appendix II to this circular, which serves as a summary of the terms of the H Share Restricted Share Scheme but does not constitute the full terms of the same, whilst an overview is set out below to provide some context to aid interpretation thereof.

1. Purpose and objectives of the Scheme and the Determination of Selected Participants

The purposes and objectives of the H Share Restricted Share Scheme, as set out in the Scheme Rules, are to:

- (1) recognize the contributions by certain Eligible Participants and provide Incentive Shares to retain them, thereby contributing to the ongoing operation and development of the Group; and

LETTER FROM THE BOARD

- (2) attract suitable personnel for the further development of the Group.

The Board may, at its sole discretion, determine which Eligible Participant shall be entitled to receive grants of Incentives under the H Share Restricted Share Scheme, the number of Incentive Shares and the equivalent fair value in cash (if any) underlying such Incentives to which each Selected Participant shall be entitled, and make the relevant grant to the Selected Participant accordingly.

Eligible Participants shall include the Employee Participants and Related Entity Participants, and the eligibility of any of them to any Incentive shall, in each case, be determined by the Board from time to time on the basis of the Board's opinion as to the Selected Participant's contribution or potential contribution to the development of the Group. For the avoidance of doubt, no grants shall be made to service providers of the Group.

Apart from its employees, the Group has also formed and maintained a close working relationship with the Related Entity Participants in its ordinary and usually course of business. The Related Entity Participants eligible for the grant of Incentives under the H Share Restricted Share Scheme are confined to key personnel of the Related Entities who have extensive connections in the industry, and who have been consistently providing support and guidance to the Group, such as advising on the formulating of business strategies, sharing their knowledge, know-how and expertise with the Group's employees, as well as utilising their expertise (technological or otherwise) to assist the Group with project execution and drive improvements in efficiency.

In determining whether a person is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, the Board will take into account various factors that it in its absolute discretion considers relevant in assessing his/her contribution to the long-term growth of the Group, including (i) individual performance, (ii) time commitment, (iii) initiative and commitment in performing his/her duties, (iv) responsibilities or employment conditions according to the prevailing market practice and industry standard, (v) the length of service/engagement with any member of the Group and/or any Related Entity and (vi) the individual contribution (past, present and potential) to the development, performance and growth of the Group and/or Related Entity.

In determining the eligibility of an Eligible Participant who is an Employee Participant, the Board may consider, on a case-by-case basis, qualitative and quantitative factors, including: (i) his/her skill sets, knowledge, experience, expertise, leadership or complementary competencies and other relevant personal qualities; (ii) his/her educational and professional qualifications, industry knowledge and market connections; (iii) his/her performance, years of service, nature of duties and position within the Group; (iv) his/her adherence to the Group's culture and values; (v) the general financial condition of the Group; (vi) the Group's overall business objectives

LETTER FROM THE BOARD

and future development plan(s); (vii) his/her contribution (past, present and potential) to the development, performance and growth of the Group; and/or (viii) any other matters which the Board considers relevant.

In determining the eligibility of an Eligible Participant who is a Related Entity Participant, the Board may consider, on a case-by-case basis, qualitative and quantitative factors, including: (i) his/her actual or potential degree of involvement in and/or cooperation with the Group; (ii) his/her participation and contribution (past, present and potential) to the development, performance and growth of the Group; (iii) the general financial condition of the Group; (iv) the Group's overall business objectives and future development plan(s); (v) the extent of benefits and synergies brought to the Group; and/or (vi) any other matters which the Board considers relevant.

The Directors (including the independent non-executive Directors) believe that, notwithstanding the fact that the Company has not previously granted any equity-based incentives to Related Entity Participants under any other shares schemes of the Company, for the reasons cited above, it would be in the Company's interest to reserve such means of incentivising and rewarding Related Entity Participants, in recognition of their contribution to the Group's growth and business development where warranted, and in order to secure their continued support and services by providing them with the opportunity to partake in the Group's future prospects.

In light of the foregoing, the independent non-executive Directors are of the view that (i) the inclusion of the Related Entity Participants aligns with the purpose of the Scheme and the long term interests of the Company and its shareholders, (ii) the proposed categories of Related Entity Participants are in line with the Company's business needs and the industry norm, and (iii) the criteria for the selection of Eligible Participants and the terms of the grants thereto, in accordance with the Scheme Rules (including vesting requirements and performance targets), align with the purpose of the Scheme.

As at the Latest Practicable Date, the Company has not formulated any concrete plan present intention to grant any Incentives to the independent non-executive Directors under the H Share Restricted Share Scheme. However, having considered that (i) equity-based remuneration is generally perceived as effective means of ensuring alignment between the interests of shareholders and all the directors (which shall include the independent non-executive directors); (ii) it is common to include independent non-executive directors as eligible participants of the share schemes among companies listed on the Stock Exchange or other internationally recognised stock exchanges; and (iii) an independent non-executive director will still be considered independent, under Rule 3.13(2) of the Listing Rules, if such shares or equity interests so received are granted thereto pursuant to share schemes established in accordance with Chapter 17 of the Listing Rules, the Board thus believes the inclusion of independent non-executive Directors as Eligible Participants of the H

LETTER FROM THE BOARD

Share Restricted Share Scheme and the reservation of such right and power and the preservation of flexibility to grant equity-based incentives to the independent non-executive Directors in addition to cash-based incentives will allow the Company to (i) keep its remuneration package competitive in order to attract and retain talents for the Group's continued growth and development and (ii) maintain consistency in treatment of, and fairness across the members of the Board.

The Company is of the view that the independence and impartiality of the independent non-executive Directors will not be impaired by any potential grant of Incentives for the following reasons: (i) the independent non-executive Directors will continue to comply with the independence requirement under Rule 3.13 of the Listing Rules; and (ii) the Board will pay heed to the recommended best practice E.1.9 of the corporate governance code set out in Appendix C1 to the Listing Rules that issuers should generally not grant equity-based remuneration with performance-related elements to independent non-executive directors when considering making any future grants to the independent non-executive Directors.

A Selected Participant shall continue to qualify and maintain his/her eligibility as a Selected Participant during the period when any Incentive Shares granted thereto remains unvested, or otherwise the Company would (subject to the Listing Rules, the Articles and the applicable laws, regulations, rules and requirements for the time being in force in any relevant jurisdiction) be entitled to deem any unvested Incentives or any part thereof, granted to such Selected Participant and to the extent not already vested, as lapsed.

In view of the foregoing, the Directors (including the independent non-executive Directors) are of the view that (i) the inclusion of the Related Entity Participants as non-employee Eligible Participants are in line with the Company's business needs and the industry norm of providing equity based payment to stakeholders in order to align interests and incentivise performance and contribution, as it is desirable and necessary to sustain and foster such business relationships on a long-term basis; and (ii) the criteria for selection of eligible Related Entity Participants as set out above and in the paragraphs headed "6. Determination of Selected Participants" of Appendix II to this circular and the discretion afforded to the Board to impose, on a case-by-case basis, varying terms and conditions (including but not limited to performance targets and vesting conditions) for such grant of Incentives to Related Entity Participants, are appropriate and in the long term interests of the Company and its shareholders, and align with the purposes and objectives of the H Share Restricted Share Scheme.

Pursuant to the Note (1) to Rule 17.03(2) of the Listing Rules, the Company has sought legal advice on the prospectus requirements of the Companies (WUMP) Ordinance in relation to the H Share Restricted Share Scheme proposed to be adopted and understands that whilst the H Share Restricted Share Scheme is not restricted to executives and employees of the Group, the adoption of the H Share Restricted Share Scheme and the grant of the Incentives thereunder would not constitute an offer to public, and the prospectus requirements under the Companies (WUMP) Ordinance are not applicable.

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2. Purchase Price of Incentive Shares

The Incentive Shares shall be funded by ordinary H Shares issued by the Company. For all Incentive Shares granted under the Scheme, the Purchase Price, payable upon vesting, shall be applied uniformly, which shall not be less than the nominal value of H Shares, nor shall it be less than the highest of the following prices (in each case, the average price of the H Shares traded is arrived at by dividing the total turnover of the H Shares traded on the relevant trading day or over the relevant trading days by the total volume of the H Shares traded on such trading day or over such trading days):

- (1) 50% of the average price of the H Shares traded on the trading day preceding the date of announcement on the proposed adoption of the H Share Restricted Share Scheme.
- (2) 50% of the average price of the H Shares traded over the past 20 trading days preceding the date of the announcement on the proposed adoption of the H Share Restricted Share Scheme (inclusive of the date of such announcement).
- (3) 50% of the average price of the H Shares traded over the past 60 trading days preceding the date of the announcement on the proposed adoption of the H Share Restricted Share Scheme (inclusive of the date of such announcement).
- (4) 50% of the average price of the H Shares traded over the past 120 trading days preceding the date of the announcement on the proposed adoption of the H Share Restricted Share Scheme (inclusive of the date of such announcement).

Considering that the Eligible Participants have contributed or will contribute to the Group, the Board is of the view that the Purchase Price of the Incentive Shares as set forth above, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board considers that such arrangements ensures that the Eligible Participants share both the risks and rewards of the Company's future performance, fostering a sense of ownership and long-term engagement, which align with the purpose of the H Share Restricted Share Scheme, where the Incentive Shares are intended to be granted to the Eligible Participants to reward their contributions to the Group.

For the avoidance of doubt, no financial assistance shall be provided by the Group to the Selected Participants to facilitate the purchase of the Incentive Shares. Save for the aforementioned Purchase Price, payable upon execution of the Vesting Instrument vesting of the relevant Incentives, at such times and in such manner as shall be set forth in the relevant Vesting Instrument, no amount is payable for the acceptance of any grant of Incentives under the Scheme.

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3. Scheme Mandate Limit and Individual Limit

Subject to the Scheme Rules and any waiver or ruling granted by the Stock Exchange, the total number of H Shares which may be issued in respect of all options, if any, and/or Incentives and/or awards to be granted under the Relevant Schemes shall not in aggregate exceed 10% of the total number of H Shares of the Company (excluding Treasury Shares) in issue as at the Adoption Date or as at the date of the last refreshment (“**New Approval Date**”) of the Scheme Mandate Limit with the approval of the Shareholders (as the case may be) (the “**Scheme Mandate Limit**”).

As at the Latest Practicable Date, the issued share capital of the Company comprised 227,640,800 H Shares. Subject to the obtaining of Shareholders’ approval with respect to the adoption of the H Share Restricted Share Scheme and assuming that there is no change in the number of H Shares in issue between the period from the Latest Practicable Date to the Adoption Date, the maximum number of H Shares which may be issued in respect of all Incentives that may be granted under the H Share Restricted Share Scheme and all options, if any, and/or Incentives and/or awards involving the issuance of new H Shares that may be granted under any other share schemes of the Company shall be 22,764,080 H Shares, pursuant to Rule 17.03(3) of the Listing Rules, representing 10% of the H Shares in issue (excluding Treasury Shares) as at the Adoption Date.

Subject to the Scheme Rules and any waiver or ruling granted by the Stock Exchange, where grant of all options (if any), and/or Incentives and/or awards (excluding any options (if any), and/or Incentives and/or awards lapsed in accordance with the terms of the Relevant Schemes) to an Eligible Participant at the time of the grant would result in the H Shares issued and to be issued in respect of such options if any, and/or Incentives and/or awards granted in the 12-month period up to and including the Grant Date exceeds 1% of the total number of issued H Shares (excluding Treasury Shares) as at the Grant Date, then no Incentive Shares will be granted to any of the Eligible Participants unless the relevant requirements under Chapter 17 of the Listing Rules have been complied with.

4. Vesting Period

The vesting period for Incentives granted under the H Share Restricted Share Scheme shall not be less than 12 months from the relevant date of grant. Depending on the nature and the purpose of such grants under the Scheme, Incentives have varying vesting schedules as specified in the relevant Grant Instruments. Subject to the Scheme Period, Incentives granted under the Scheme would generally vest over years, with a maximum vesting period of up to 10 years.

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To ensure the practicability of fully attaining the purpose of the H Share Restricted Share Scheme, the Board is of the view that (i) there are certain instances where a strict 12-month vesting requirement would not work or would not be fair to the Selected Participant (especially in cases where Incentives were granted to Employee Participants in replacement or in substitution of awards from previous employment so forfeited upon joining the Group as inducement for employment or incentives granted under the Group's other employee share incentive schemes as prompted by a shift in the Company's administrative, operational and human resources deployment policies or strategic initiatives, where perceived fairness requires that the elapsed vesting period of the original awards or incentives be taken into account), such as those set out in the paragraphs headed "10. Vesting of Incentive Interests" of Appendix II to this circular; and (ii) the Company should be allowed discretion to formulate its own talent recruitment and retention strategies in response to the changing market conditions and industry competition, and thus should be able to retain such flexibility to impose vesting conditions, such as performance-based vesting conditions instead of mere time-based vesting criteria, having due consideration and regard to individual circumstances.

Based on the foregoing, the Board and the Remuneration Committee are of the view that maintaining the ability to grant Incentives subject to the vesting policy and vesting period under the Scheme Rules (including a shorter vesting period in the circumstances as prescribed in the paragraphs headed "10. Vesting of Incentive Interests" of Appendix II to this circular) is in line with the market practice and aligns with industry norms and will allow the Company the necessary flexibility to adapt to changing market conditions and to provide a competitive remuneration package to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified. Hence, the Board and the Remuneration Committee consider that the vesting period and the reservation of such power for the Board to determine (in its sole and absolute discretion) the vesting period subject to the requirements under the Listing Rules (including whether (in the case of Employee Participants) accelerated vesting or a shorter vesting period is necessary or justifiable under specific circumstances) is appropriate, reasonable and beneficial to the Group's growth and business development and aligns with the purpose of the H Share Restricted Share Scheme.

5. Performance Targets

Specific performance targets that must be met before an Incentive can be vested are not prescribed in the Rules for the H Share Restricted Share Scheme. However, the Board and/or the Remuneration Committee (as the case may be) is entitled to impose any conditions, as it deems appropriate in its sole and absolute discretion, including the setting of any performance targets to be attained before the vesting of the Incentive Interests to the Selected Participants. If and to the extent that any performance target(s) are required to be achieved before such Incentive(s) are capable of being vested in whole or in part, particulars of such performance targets shall be

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specified and set forth in the relevant Grant Instrument(s). Such performance targets may comprise a combination of key performance indicators to be attained including, without limitation, (i) the business and financial performance of the Group by reference to annual revenue growth rate, gross profit and/or the Group's core competitiveness or corporate targets and/or goals attained, (ii) individual performance based on periodic performance appraisal, assessment or review, which may vary among the Selected Participants considering their different roles, positions and contributions, and/or (iii) non-financial performance measures such as the individual's adherence to the Company's culture and values. The Board or the Remuneration Committee (as the case may be) shall conduct such periodic performance appraisal, assessment or review to determine, at its sole discretion, whether the agreed performance targets have been (and the extent to which they have been) met. The Company will evaluate the actual performance and contribution of a Selected Participant against the performance targets set and form a view as to whether the relevant performance targets have been fulfilled. The Board and/or the Remuneration Committee (as the case may be) shall have the authority, after the grant of the Incentives, to make fair and reasonable adjustments to the prescribed performance targets during the Term of the Scheme if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Board or the Remuneration Committee (as the case may be). For the avoidance of doubt, the performance targets are not applicable to Selected Participants who are independent non-executive Directors.

The Board (and the Remuneration Committee in respect of grants to the Directors and/or Senior Management) considers that it is more beneficial to the Group to retain the flexibility to determine whether such conditions are appropriate in light of the particular circumstances of each grant. It is also considered not feasible to establish a standardized set of performance targets in the Scheme Rules due to the diverse roles and unique contributions of each Selected Participant within the Group.

In light of the foregoing, the Board and the Remuneration Committee are of the view that flexibility around performance targets should be reserved to the Board and/or the Remuneration Committee (as the case may be) on each grant occasion, as each Selected Participant will be assessed against different parameters, which aligns with the purpose of the H Share Restricted Share Scheme. Thus, the Board and/or the Remuneration Committee (as the case may be) will consider the purpose of the H Share Restricted Share Scheme, as well as the Selected Participant's position, contributions, and significance to the Group when making decisions and/or determination on the conditions to be imposed on each grant occasion and ensure appropriate and specific performance targets will be set based on the individual circumstances of the Selected Participant(s).

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6. Clawback Mechanism

Under certain limited circumstances (whether such circumstance is to be regarded as having occurred is subject to the sole determination of the Board) as set out in the paragraphs headed “15. Clawback Mechanism” of Appendix II to this circular and as set out below, no further Incentives may be granted to the relevant Selected Participant and the Board may, at its sole and absolute discretion, determine that Incentives granted thereto may be subject to a clawback in the manner as set forth in detail in the relevant Grant Instrument under, and limited to, the specified circumstances as set forth below:

- (1) the Selected Participant has committed any act of fraud or dishonesty or serious misconduct in connection with his/her employment or engagement by any member of the Group;
- (2) the Selected Participant has engaged in any act or omission to perform any of his/her duties that has had or will have a material adverse effect on the reputation or interests of any member of the Group;
- (3) the Selected Participant having engaged in any act that has had or will have a material adverse effect on the reputation or interests of any member of the Group within the period of two years after the Selected Participant ceases to be an Eligible Participant;
- (4) dismissal by the Company due to serious damage caused by the Selected Participant to the Company’s interests, the Selected Participant’s disclosure of trade secrets, violation of the employment contract or the Company’s regulations, or commitment of serious illegal or disciplinary misconduct;
- (5) the Selected Participant’s acting (including inaction) in violation of the non-compete agreement, between him/her and the Company refusal to cooperate with the Company and follow the procedures for resignation and handover and other acts in connection with the breach of non-compete terms or undertakings that adversely affects the Company’s operations.

Where any Incentive Shares (or any part thereof) granted to a Selected Participant have already been vested and/or transferred to the Selected Participant at the time when such award is clawed back, the Selected Participant shall return, by the Board’s determination at its sole and absolute discretion, either (i) the exact number of vested and clawed back H Share(s) (either by the Selected Participant effecting such transfer of H Shares to the Trustee or by having the Incentive Shares forfeited and cease to be transferable (where such transfer to the Selected Participant has yet to occur)) or (ii) the monetary amount equivalent to the value of the relevant H Share(s) on (a) the date of grant, (b) the vesting date, or (c) the date of such clawback as determined by the Board. For the avoidance of doubt, the relevant Purchase Price paid

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by the Selected Participant for the vesting of the clawed back Incentive Shares will not be refunded.

Where any Incentive Shares (or any part thereof) granted to a Selected Participant have yet been vested at the time when such award is clawed back, such Incentive Shares (or any part thereof) subject to clawback will lapse on the date as determined by the Board and the relevant Incentive Shares will not vest on the relevant vesting date, and the relevant Incentive Shares so lapsed will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

The Directors are of the view that that such clawback mechanism in the H Share Restricted Share Scheme provides a choice for the Company to clawback the equity incentives granted to Selected Participants culpable of misconduct, ensuring that Incentives are granted only to those who act in the Company's best interests. The clawback mechanism thus provides the Board with more flexibility in setting the terms and conditions of the Incentive Shares under particular circumstances of each grant, which would facilitate the objective to offer meaningful incentives to attract and retain quality personnel that are valuable to the development of the Group, and is in line with the purpose of the H Share Restricted Share Scheme and in the interests of the Company and its shareholders.

7. Lapse of Incentive Shares and Returned Shares

Upon the occurrence of any of the following event (and whether an event is to be regarded as having occurred is subject to the sole determination of the Board or the Scheme Administrator (as the case may be)) in relation to a Selected Participant, no further Incentives shall be granted to such Selected Participant and the Incentives (to the extent unvested) shall lapse forthwith accordingly (which shall become Returned Shares for the purposes of the H Share Restricted Share Scheme) on the date as determined by the Board or the Scheme Administrator (as the case may be):

- (1) the Selected Participant ceases to be an Eligible Participant or found to be an Excluded Participant pursuant to the terms of the H Share Restricted Share Scheme;
- (2) the Selected Participant fails to return duly executed Vesting Documents for the relevant Incentive Shares within the period stipulated in the Vesting Instrument;
- (3) the Board or the Scheme Administrator (as the case may be) determines in its absolute discretion that any condition(s) and/or performance milestones or targets to be duly fulfilled by such Selected Participant as specified in the related Grant Instrument has not been duly fulfilled or has not been waived by the Board or the Scheme Administrator (as the case may be);

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- (4) (in respect of H Shares underlying an Incentive which are subject to performance or other vesting condition(s)) the date on which the condition(s) to vesting of the relevant H Shares underlying the Incentive are not capable of being satisfied (and such determination by the Board shall be final and conclusive);
- (5) the Selected Participant (whether intentionally or otherwise) makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Incentive or any interests or benefits pursuant to the Incentives in breach of the Scheme Rules; or
- (6) the Board or the Scheme Administrator (as the case may be) has decided, in its sole and absolute discretion, that the unvested Incentives shall not be vested for the Selected Participant in accordance with the Scheme Rules and the terms and conditions as set out in the Grant Instrument.

Notwithstanding the foregoing, the Board or the Scheme Administrator (as the case may be) may in its sole and absolute discretion decide, in each case, that any Incentive shall not lapse or shall be subject to such conditions or limitations as the Board or the Scheme Administrator (as the case may be) may decide.

The Trustee shall hold the Returned Shares subject to the terms of the Trust for any persons (excluding any Excluded Participants) as the Board or the Scheme Administrator (as the case may be) shall in its absolute discretion at any time determine and select in writing.

For the avoidance of doubt, Incentives lapsed in accordance with the terms of the H Share Restricted Share Scheme shall not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

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8. Cancellation of Incentive Shares

The Board may at any time with the consent of and on such terms as may be agreed with the relevant Selected Participant cancel Incentives previously granted but which have not yet vested. Where the Company cancels unvested Incentives and issues new grants of Incentive Shares to the same Selected Participant, the issue of such new Incentives may only be made with available Incentive Shares to the extent not yet granted (excluding those that are cancelled in accordance with the Scheme Rules) within the Scheme Mandate Limit and such other limits prescribed by the Scheme Rules or under a scheme with available unissued H Shares within its applicable scheme limit.

Notwithstanding the foregoing, the Board or the Scheme Administrator (as the case may be) may in its absolute discretion decide that any Incentive shall not be cancelled subject to such conditions or limitations as the Board or the Scheme Administrator (as the case may be) may decide.

For the avoidance of doubt, Incentives cancelled in accordance with the terms of the H Share Restricted Share Scheme shall be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

The Directors (including the independent non-executive Directors) are of the view that the policies formulated in respect of the lapse and cancellation of Incentives under the Scheme, as set out in clear terms in the Scheme Rules, are reasonable and align with the purpose of the Scheme.

Listing Rules Implications

The H Share Restricted Share Scheme, once adopted, shall constitute a share scheme of the Company funded by the issuance of new shares of the Company under Chapter 17 of the Listing Rules, and therefore pursuant to Rule 17.02(1), the adoption of the H Share Restricted Share Scheme is subject to the approval of the Shareholders at general meeting. The terms of the H Share Restricted Share Scheme are in accordance with the relevant requirements under Chapter 17 of the Listing Rules.

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2025 A Share Employee Stock Ownership Plan

Reference is made to the announcement of the Company dated March 28, 2025, in relation to, among others, the proposed adoption of the A Share Employee Stock Ownership Scheme on even date. The A Share Employee Stock Ownership Plan constitutes a share scheme involving the grant of existing shares by the Company, and does not involve any issue of new shares or granting of option for any new shares of the Company, and shall only be subject to the applicable disclosure requirements under Chapter 17 of the Listing Rules. However, the A Share Employee Stock Ownership Plan shall still be subject to the approval, disclosure and other relevant requirements under the applicable laws and regulations.

Further details of the A Share Employee Stock Ownership Plan is set out in Appendix I to this circular, an overview of its principal terms is set out below as reference:

1. Purposes of the ESOP

To further establish and enhance the Company's long-term incentive mechanism, attract and retain exceptional talent, and fully engage the enthusiasm of the Company's directors, senior management, and key personnel in management, technology, business, and critical roles. The ESOP aims to effectively align the interests of the Shareholders, the Company, and its employees, fostering a collective focus on the Company's long-term development.

2. Administrative Body of the ESOP

Upon the approval of the general meeting, the ESOP will be managed by the Company at its discretion. The highest authority for the internal management of the ESOP is the Participants' Meeting. The Company shall establish a management committee for the ESOP (the "**Management Committee**") to oversee the day-to-day management of the ESOP, which shall exercise the Shareholder's rights or authorize the management institution to exercise the Shareholder's rights and perform other duties as required by the ESOP and relevant laws and regulations on behalf of the Participants.

The Board is responsible for formulating and revising the draft ESOP and handling other relevant matters of the ESOP within the scope as authorized by the Shareholders' general meeting. The Company has adopted appropriate risk prevention and segregation measures to effectively safeguard the legitimate rights and interests of the Participants.

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3. *Duration of the ESOP*

The duration of the ESOP shall be 72 months commencing from the date on which the draft ESOP is considered and approved at the Shareholders' general meeting and the Company announces the last tranche of the Company's A Shares has been transferred to the ESOP. The ESOP will be automatically terminated upon the expiration of its duration if not extended.

4. *Participants*

The Participants shall be determined according to the Company Law, the Securities Law, the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plans by Listed Companies, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 2 – Standardized Operation of Listed Companies on the ChiNext Market, other relevant laws, regulations, regulatory documents and the Articles of Association in combination with the actual circumstances.

The ESOP shall be funded by the directors (excluding independent non-executive directors), supervisors, senior management, core management, core technical (business) personnel and other key personnel of the Company (including the controlled subsidiaries of the Company). The Remuneration Committee shall draw up a list of Eligible Participants within the defined scope, which shall be verified and confirmed by the Company's Supervisory Committee.

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The list of participants of the ESOP and the allocation is as follows:

Name	Position	Upper limit of A Shares to be held <i>(0'000 shares)</i>	Proportion in total number of units of the ESOP	Proportion in total share capital of the Company as at the announcement date of the ESOP
Lyu Feng	Vice Chairman, Vice President	20	2.50%	0.0146%
Xie Hui	Chief Financial Officer	20	2.50%	0.0146%
Su Quan	Vice President	30	3.73%	0.0219%
Lai Xunlong	Board Secretary	20	2.50%	0.0146%
Liu Qiujun	Chairman of the Supervisory Committee	10	1.25%	0.0073%
Li Hua	Supervisor	2	0.25%	0.0015%
Liang Qilu	Employee Supervisor	0.5	0.06%	0.0004%
Core management, core technical (business) personnel and other key personnel (not more than 493 persons)		699.0784	87.21%	0.5094%
Total		801.5784	100%	0.5843%

Notes:

- In the event of a renunciation of the subscription by an employee, the Board of Directors may authorize the Management Committee to reallocate such portion of units to other eligible employees, provided that after the reallocation, the total number of A Shares corresponding to an individual employee's units of the ESOP shall not exceed 1% of the total issued share capital of the Company.

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2. Any discrepancies between the totals and individual figures in the ESOP are due to rounding of the above percentages.

5. *Source of Underlying Shares*

The source of the Underlying Shares under the ESOP is the ordinary A shares of the Company repurchased from the secondary market, which shall be repurchased in accordance with the “Resolution for the Repurchase of the A Shares of the Company” considered and approved at the Twenty-third Meeting of the Third Session of the Board of Directors and the Twentieth Meeting of the Third Session of the Supervisory Committee on October 30, 2023.

6. *Source of Underlying Funds*

The ESOP shall be funded by the employees’ legitimate remuneration, self-raised funds and other sources permitted by the applicable laws and regulations. The Company does not provide financial assistance of any form to the Participants or provide guarantees for their loans, nor does it involve any arrangement from any third party providing incentives, grants, subsidies or making up the balance to employees for their participation in the ESOP.

7. *Size of Underlying Shares*

The total number of A Shares under the ESOP shall not exceed 8,015,784, representing approximately 0.58% of the total issued share capital of the Company as of the Latest Practicable Date.

Upon completion of the implementation of the ESOP, the total number of A Shares held under all effective employee share ownership plans of the Company shall not exceed 10% of the total share capital of the Company cumulatively. The total number of Shares held by any individual employee corresponding to his/her interest in the units shall not in aggregate exceed 1% of the total issued share capital of the Company cumulatively (excluding the Shares acquired by Participants prior to the initial public offering of the Company’s Shares, the Shares purchased independently through secondary market, and the Shares acquired by the Participants through other stock incentives).

8. *Purchase Price*

The price to purchase the Underlying Shares shall be RMB10.67 per share. The purchase price shall not be less than the higher of the following prices:

1. 50% of RMB20.21 per share, the average trading price of the A Shares on the trading day immediately preceding the announcement of the draft ESOP (the “**Announcement**”), calculated as the total

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amount of the A Shares traded on the preceding trading day divided by the total volume of the A Shares traded on the preceding trading day, which is RMB10.11 per share;

2. 50% of RMB21.34 per share, the average trading price of the A Shares over the past 20 trading days preceding the Announcement, calculated as the total amount of the A Shares traded over the preceding 20 trading days divided by the total volume of the A Shares traded over the preceding 20 trading days, which is RMB10.67 per share;
3. 50% of RMB20.80 per share, the average trading price of the A Shares over the past 60 trading days preceding the Announcement, calculated as the total amount of the A Shares traded over the preceding 60 trading days divided by the total volume of the A Shares traded over the preceding 60 trading days, which is RMB10.40 per share;
4. 50% of RMB20.11 per share, the average trading price of the A Shares over the past 120 trading days preceding the Announcement, calculated as the total trading amount of the A Shares traded over the preceding 120 trading days divided by the total volume of the A Shares traded over the preceding 120 trading days, which is RMB10.06 per share.

9. *Lock-up Period of the ESOP*

The Underlying Shares acquired by the ESOP shall be unlocked in three tranches after 12 months from the date when the ESOP is approved by the Shareholders' general meeting and the Company announces the transfer of the Underlying Shares to the ESOP, as detailed below:

Unlocking arrangement	Unlocking time	Unlocking proportion
Unlocking time point for the first tranche	12 months from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP	40%

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Unlocking arrangement	Unlocking time	Unlocking proportion
Unlocking time point for the second tranche	24 months from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP	30%
Unlocking time point for the third tranche	36 months from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP	30%

The Underlying Shares obtained under the ESOP and Shares derived from the conversion of capital reserves by the Company, bonus issue and other circumstances shall also be subject to the above-mentioned share lock-up arrangements.

10. Performance Appraisal of the ESOP

(I) Performance appraisal at the Company level

The appraisal years for the unlocking at the Company level of the ESOP are the three fiscal years from 2025 to 2027, with one assessment performed each fiscal year. The annual performance appraisal objectives are as follows:

Unlocking Period	Corresponding appraisal year	Target Growth Rate of Annual Net Profit Relative to 2024
The first unlocking period	2025	Increase in net profit in 2025 over net profit in 2024 not less than 20%

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Unlocking Period	Corresponding appraisal year	Target Growth Rate of Annual Net Profit Relative to 2024
The second unlocking period	2026	Increase in net profit in 2026 over net profit in 2024 not less than 45%
The third unlocking period	2027	Increase in net profit in 2027 over net profit in 2024 not less than 80%

or

Unlocking Period	Corresponding appraisal year	Target growth rate of annual revenue relative to 2024
The first unlocking period	2025	Increase in revenue in 2025 over revenue in 2024 not less than 20%
The second unlocking period	2026	Increase in revenue in 2026 over revenue in 2024 not less than 50%
The third unlocking period	2027	Increase in revenue in 2027 over revenue in 2024 not less than 100%

Notes:

1. The calculation of the “net profit” is based on the audited net profit attributable to the Shareholders and excluding the share-based payment expenses arising from the implementation of the Plan and other employee share ownership plans or stock incentive plans.
2. The performance targets involved in the above unlocking arrangements do not constitute performance forecasts or substantial commitments by the Company to investors.

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If the Company's performance appraisal targets are not achieved in a lock-up period, the proceeds from the sale of the Underlying Shares corresponding to the unlocked units at the end of that period after the expiration of the lock-up period shall be attributed to the Company, and the Company shall return to the Participants their original capital contribution to the extent of the amount of the proceeds. If there is surplus after returning the contribution to Participants, the surplus shall be attributed to the Company.

(II) Performance appraisal at individual level

Under the premise of achieving the Company's performance objectives, the ESOP will conduct performance appraisal at the individual level and determine the actual number of A Shares that can be released from lock-up for the current period for the A Shares corresponding to the units held by the individual in accordance with the appraisal results. The performance appraisal scores are divided into two bands, as shown in the table below:

Appraisal score (G)	G \geq 70	G < 70
Unlocking ratio at individual level	100%	0

If a Participant is unable to unlock the corresponding Underlying Shares due to reasons relating to appraisal, the Management Committee has the right to allocate the corresponding units that have not been unlocked for failing to meet the unlocking conditions to other employees. If such units are not distributed in the duration of the ESOP, the unallocated portion will be sold on an opportunistic basis in the duration of the ESOP after the unlocking date and returned to the individual in the amount of his or her original capital contribution. If there is surplus after such return of contribution to the Participants, the surplus shall be attributed to the Company.

11. Amendment

In the duration of the ESOP, any amendment to the ESOP may only be implemented upon approval by the Participants holding more than two-thirds of the total units present at the Participants' Meeting and be submitted to the Board of Directors for consideration and approval.

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12. Listing Rules Implications

Pursuant to Chapter 17 of the Listing Rules, the A Share Employee Stock Ownership Plan constitutes a share scheme involving the grant of existing Shares by the Company, and no new Shares of the Company will be issued under the A Share Employee Stock Ownership Plan. The Company will comply with the applicable disclosure requirements under Chapter 17 of the Listing Rules in relation to the A Share Employee Stock Ownership Plan in due course.

The above resolution has been approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval. Mr. Lyu Feng, an executive Director of the Company, has abstained from voting on the Board resolution for considering and approving the grant made to him under the A Share Employee Stock Ownership Plan as a participant of the A Share Employee Stock Ownership Plan. The A Share Employee Stock Ownership Plan and the relevant resolutions shall be considered and, if thought fit, approved by the Shareholders by way of ordinary resolution at the AGM. Connected Shareholders who have an interest in the relevant resolutions shall abstain from voting.

II. Proposed Authorization to the Board and/or Its Authorized Person for Handling Matters Relating to the H Share Restricted Share Scheme and the A Share Employee Stock Ownership Plan

(I) The Authorization to the Board in Relation to the Proposed H Share Restricted Share Scheme

In order to implement the H Share Restricted Share Scheme, pursuant to the provisions of the relevant laws, regulations and regulatory documents such as the Rules Governing the Listing of Stocks of the Shenzhen Stock Exchange, the Listing Rules and the Articles of Association, the Board has resolved to propose to the Shareholders at the Shareholders' general meeting of the Company to authorize the Board or the chairman of the Board and any person(s) so authorized by him to take all relevant measures and deal with all relevant matters to approve and execute on behalf of the Company such documents as are necessary, appropriate or expedient for the purpose of giving effect to and implementation of the H Share Restricted Share Scheme and to handle matters relating to the H Share Restricted Share Scheme, including but not limited to the following:

- (1) to manage and operate the H Share Restricted Share Scheme, and to grant Incentive Shares to Eligible Participants under the H Share Restricted Share Scheme;

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- (2) to modify and/or amend the H Share Restricted Share Scheme from time to time, provided that such modification and/or amendment shall be made in accordance with the provisions of the H Share Restricted Share Scheme relating to modification and/or amendment and shall comply with Chapter 17 of the Listing Rules;
- (3) to grant Incentive Shares under the H Share Restricted Share Scheme, and to allot and issue from time to time such number of Shares as required to be allotted and issued pursuant to the Incentive Shares granted under the terms and conditions of the H Share Restricted Share Scheme and the Listing Rules;
- (4) to make application at appropriate time or period to the Stock Exchange for listing and permission to trade of any Shares which may be allotted and issued in connection with the Incentive Shares granted under the terms and conditions of the H Share Restricted Share Scheme;
- (5) to consent to such conditions, modifications and/or changes as may be required or imposed in relation to the H Share Restricted Share Scheme as deemed appropriate and expedient;
- (6) to increase the registered capital of the Company and to make appropriate and necessary amendments to the Articles of Association of the Company after completion of the allotment and issuance of new Shares under the H Share Restricted Share Scheme according to the method, type and number of new Shares allotted and issued by the Company, as well as the shareholding structure of the Company at the time of completion of the allotment and issuance;
- (7) to authorize any Director representing the Company to sign and execute documents related to the establishment of the Trust and H Share Restricted Share Scheme; and
- (8) to authorize secretary to the Board and/or joint company secretary to act on behalf of the Company (including the Board and the Remuneration Committee), and to communicate with the Trustee(s) on all matters related to the Scheme on behalf of the Company (including the Board and the Remuneration Committee) and/or in the name of the authorized signatory.

This proposal is subject to consideration and approval at the Shareholders' general meeting of the Company.

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(II) The Authorization to the Board in Relation to the Proposed A Share Employee Stock Ownership Plan

To ensure the smooth implementation of the Company's A Share Employee Stock Ownership Plan, and in accordance with the relevant laws, regulations, regulatory documents, including the Administrative Measures, the Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 – Main Board Listed Companies Standardized Operations, as well as the provisions of the Articles of Association, the Company intends to submit a proposal to the Shareholders at the Shareholders' general meeting to authorize the Board with full authority to handle matters related to the A Share Employee Stock Ownership Plan, including but not limited to the following:

1. to authorize the Board to formulate and amend the proposal of ESOP;
2. to authorize the Board to implement the ESOP, including but not limited to nominating candidates for members of the Management Committee;
3. to authorize the Board to handle changes and termination of the ESOP, including, but not limited to, disqualification of the Participants in accordance with the provisions of the ESOP, and early termination of the ESOP;
4. to authorize the Board to make decisions on the duration extension and early termination of the ESOP;
5. to authorize the Board to make corresponding adjustments to the ESOP in accordance with the new laws, regulations and policies if there are changes in the relevant laws, regulations and policies during the implementation period after the ESOP is considered and approved by the Shareholders' general meeting;
6. to authorize the Board to handle all matters relating to the lock-up, unlocking and allocation of A Shares purchased under the ESOP;
7. to authorize the Board to formulate and sign the agreements and documents related to the ESOP;
8. to authorize the Board to interpret the ESOP;
9. to authorize the Board to handle other matters necessary for the ESOP, excluding those rights as expressly provided in the relevant documents to be exercised by the Shareholders' general meeting.

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The above-mentioned authorization shall be valid from the date when the proposal of ESOP is considered and approved at the Shareholders' general meeting until the date of completion of implementation of the ESOP.

Mr. Lyu Feng, an executive Director of the Company, has abstained from voting on the Board resolution as a participant of the A Share Employee Stock Ownership Plan.

Such proposal is subject to consideration and approval at the AGM.

III. Reasons for and Benefits of the Adoption of the H Share Restricted Share Scheme and the A Share Employee Stock Ownership Plan

Save as described hereinabove, the Company proposes to adopt the H Share Restricted Share Scheme and A Share Employee Stock Ownership Plan based on the following reasons and benefits:

- (1) By providing employees with the opportunity to enjoy equity incentives in the Company, the Company aims to enhance its modern corporate governance framework by establishing and improving a "risk-sharing and benefit-sharing" mechanism among core employees, the Company, and Shareholders. This will help attract, motivate, and retain outstanding talent, while promoting the sustainable development of both the Company and its employees. By consolidating the core talent team as a new starting point, the Company will strive for the future growth and success of the Group.
- (2) To enhance the Company's remuneration strategy by establishing a remuneration incentive system that takes performance achievement as the fundamental requirement, long-term development as the core objective, and equity payment for part of the remuneration as the primary method. This system will strike a balance between incentives and constraints, better aligning with Shareholders' interests and continuously improving the mechanism that balances the interests of the Company, Shareholders and core teams.
- (3) To recognize and reward the core teams for their services and contributions to the Company and to encourage further contributions, providing them with the opportunity to acquire equity in the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the H Share Restricted Share Scheme and the A Share Employee Stock Ownership Plan and grants to Eligible Participants and Participants pursuant thereto (which shall, in any event, be identified after the respective schemes are approved by the Shareholders at the AGM (where applicable)) are, in line with the purposes of the respective schemes, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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(2) ENGAGEMENT OF AUDITORS FOR THE YEAR 2025

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of Ernst & Young Hua Ming LLP as the domestic auditor of the Company for the year 2025, and the re-appointment of Ernst & Young as the international auditor of the Company for the year 2025 with a term of one year. The relevant annual audit fees will be determined by the management, as to be authorized at the AGM through a proposal of the Board, based on the specific efforts and market price level of the audit work in 2025.

(3) APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND THE RELATED GUARANTEE

A special resolution will be proposed at the AGM to consider and approve the application to banks for integrated credit facilities by the Company and its subsidiaries and the related guarantee, details of which are set out in Appendix III to this circular.

(4) PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

An ordinary resolution will be proposed at the AGM to consider and approve the purchase of liability insurance for the Company, Directors, Supervisors and Senior Management, details of which are set out in Appendix IV to this circular.

(5) HANDLING MATTERS IN RELATION TO THE SMALL-SCALE RAPID FINANCING

A special resolution will be proposed at the AGM to consider and approve the authorization to the Board to decide on and deal with all relevant matters in relation to the issue of A Shares with a total financing amount of no more than RMB300 million and 20% of net assets at the end of the latest year to specific target, details of which are set out in Appendix V to this circular.

The A Shares to be issued pursuant to the authorization in relation to the small-scale rapid financing will be issued under the general mandate to issue additional A shares of the Company (if approved by the Shareholders at the AGM).

(6) GENERAL MANDATE TO ISSUE ADDITIONAL A SHARES OR H SHARES OF THE COMPANY

In view of the Company's development needs and based on the actual situation of the Company, the Board of Directors proposes to seek Shareholders' approval at the AGM by way of special resolutions to authorize the Board of Directors to re-delegate the authority to the chairman of the Board and any person(s) so authorized by him to determine to allot, issue and deal with shares or securities convertible into such shares, options, warrants or similar rights to subscribe for any A Shares and/or H Shares not exceeding 20% of the total number of A Shares in issue (excluding treasury A Shares) and/or the total number of H Shares in issue (excluding

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Treasury Shares) as at the date on which the resolution in relation to the grant of such general mandate to issue additional A Shares and/or H Shares is considered and approved at the AGM.

The Board wishes to state that it has no immediate plans to issue any new Shares under the general mandate. Further details of the special resolution to be passed with respect to the grant of a general mandate to issue additional A Shares or H Shares (excluding the treasury A Shares and Treasury Shares, if any) are set out in Appendix VI to this circular.

(7) GENERAL MANDATE TO ISSUE DOMESTIC AND OVERSEAS DEBT FINANCING INSTRUMENTS

In order to meet the needs of the Company's business development, reduce financing costs, and seize favorable market opportunities in a timely manner, in accordance with the Company Law and other relevant laws and regulations, the listing rules of the relevant stock exchanges where the Company's shares are listed (including the Listing Rules), and the Articles of Association, the Board intends to propose to the Shareholders at the AGM to generally and unconditionally authorize the Board of Directors (and for the Board to that of to re-delegate the authority to the chairman of the Board and any person(s) so authorized by him) to determine and implement specific matters regarding the issuance of debt financing instruments within the quota as approved by the Shareholders at the AGM. Further details of the special resolution to be passed with respect to the grant of a general mandate to issue domestic and overseas debt financing instruments are set out in Appendix VII to this circular.

(8) GENERAL MANDATE GRANTED TO THE BOARD OF DIRECTORS TO REPURCHASE SHARES

To maintain the stability of the Company's operation, development and stock price, safeguard and protect the long-term interests of its investors, promote the maximisation of the Shareholders' values, and to further strengthen and improve the long-term incentive and restraint mechanism of the Company, ensuring the sustainable and healthy development of the Company's operations, the Board has resolved to seek Shareholders' approval at the AGM for the grant of such general mandates for the Board to repurchase Shares. Further details of the special resolution to be passed with respect to the grant of the Repurchase Mandates are set out in Appendix VIII to this circular. An explanatory statement required by the Hong Kong Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the granting of the Repurchase Mandates is set out in Appendix IX to this circular.

(9) CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the announcement dated March 28, 2025 in relation to the proposed change in the use of net proceeds from the Global Offering. On March 28, 2025, the Board considered and approved the change in the use of proceeds from the Global Offering, pursuant to which, the Board has resolved to reallocate the remaining net proceeds from the Global Offering amounting to HK\$96.5 million, from its originally planned use (i.e. for "potential acquisitions")

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to that of “research and development”, with the remaining net proceeds to be fully utilized therefor. The proposed change in the use of net proceeds from the Global Offering as approved by the Board is subject to the consideration and approval by way of ordinary resolutions at the AGM.

Basic information of the use of net proceeds from the Global Offering before and after the change is set out as follows:

1. Basic information of the use of net proceeds from the Global Offering before the change:

No.	Use of proceeds	Net proceeds (HK\$ million)	Percentage of net proceeds (%)	Amount utilized as at the Latest Practicable Date (HK\$ million)	Unutilized net proceeds as at the Latest Practicable Date (HK\$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.0%	806.4	–	N/A
2	Potential acquisitions	604.9	15.0%	508.4	96.5	By the end of 2025
3	Research and development	403.2	10.0%	403.2	–	N/A
4	Repayment of loans for the construction of Baotou Production Base project	403.2	10.0%	403.2	–	N/A
5	Baotou Production Base Phase II Project and Baotou Company's daily operation capital	604.8	15.0%	604.8	–	N/A
6	Mexico New Production Project with 1 million units/sets of Magnetic Components per year	403.2	10.0%	403.2	–	N/A
7	Working capital and general corporate purposes	806.4	20.0%	646.4	160.0	By the end of 2025
	Subtotal	4,032.1	100.0%	3,775.6	256.5	

Note: (1) The difference between the net proceeds in the table and the estimated data disclosed in the Prospectus is due to adjustments based on the actual issuance costs, the same below; (2) the utilized amounts from the Listing Date to the Latest Practicable Date and the unutilized amounts as of the Latest Practicable Date have been translated using the exchange rate on December 31, 2024, the same below.

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2. Basic information of the use of net proceeds from the Global Offering after the change:

No.	Use of proceeds	Net proceeds (HK\$ million)	Percentage of net proceeds (%)	Amount utilized as at the Latest Practicable Date (HK\$ million)	Unutilized net proceeds as at the Latest Practicable Date (HK\$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.0%	806.4	–	N/A
2	Potential acquisitions	604.9	15.0%	508.4	–	N/A
3	Research and development	403.2	10.0%	403.2	96.5	By the end of 2025
4	Repayment of loans for the construction of Baotou Production Base project	403.2	10.0%	403.2	–	N/A
5	Baotou Production Base Phase II Project and Baotou Company's daily operation capital	604.8	15.0%	604.8	–	N/A
6	Mexico New Production Project with 1 million units/sets of Magnetic Components per year	403.2	10.0%	403.2	–	N/A
7	Working capital and general corporate purposes	806.4	20.0%	646.4	160.0	By the end of 2025
	Subtotal	<u>4,032.1</u>	<u>100.0%</u>	<u>3,775.6</u>	<u>256.5</u>	

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The below table sets out a comparison of the original use and the updated use of net proceeds:

Use of proceeds	Original use		Use of proceeds	Updated use	
	Unutilized net proceeds as at the Latest Practicable Date	Percentage of gross net proceeds		Unutilized net proceeds as at the Latest Practicable Date	Percentage of gross net proceeds
	(HK\$ million)	(%)		(HK\$ million)	(%)
Potential acquisitions	96.5	2.39%	Potential acquisitions	/	/
Research and development	/	/	Research and development	96.5	2.39%
Total	<u>96.5</u>	<u>2.39%</u>	Total	<u>96.5</u>	<u>2.39%</u>

Save as disclosed above, there are no other changes in the intended use of net proceeds.

Reasons for and Benefits of the Change in the Use of Net Proceeds from the Global Offering

In consideration of the Company's sustained investment in technological research and development, the Company aims not only to solidify its technological edge in the production of high-performance NdFeB permanent magnet materials and elevate the automation but also to proactively drive forward the research and development of magnetic components for humanoid robots, along with the software and hardware support for the industrialization of related projects in order to fulfill the ever-growing needs of its customers. Taking into account the actual usage of the proceeds raised from the Global Offering and with the objective of enhancing the efficiency of fund utilization, the Board has, after comprehensive assessment, resolved to reallocate all of the remaining net proceeds from the Global Offering, amounting to HK\$96.5 million originally intended for "potential acquisitions", to be fully utilized for "research and development" purposes. The Board considers that the proposed change in the use of net proceeds from the Global Offering is a prudent decision based on the actual situation of the Company's project investments, which is better aligned with the Company's development strategy and operating conditions, and is conducive to improving the efficiency of the use of net proceeds from the Global Offering.

The Board confirms that there has been no material change in the nature of the Company's business as set out in the Prospectus and considers that the change in the use of the net proceeds from the Global Offering is in the interest of the Company and its

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shareholders as a whole, and will not have any material adverse effect on the existing business and operations of the Group.

An ordinary resolution will be proposed at the AGM to consider and approve the proposed change in the use of net proceeds from the Global Offering.

(10) CHANGE OF REGISTERED CAPITAL OF THE COMPANY AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated March 28, 2025 in relation to the proposed change of the registered capital of the Company (the **“Proposed Change of Registered Capital”**) and the proposed amendments to the Articles of Association (the **“Proposed Amendments”**).

In view of the implementation of the 2020 Restricted Share Incentive Plan and the issuance of new H Shares by the Company, the Company completed the repurchase and cancellation of partial 94,772 Restricted Shares granted but not yet released on May 30, 2024, completed the processing of partial Type II Restricted Shares 560,260 Shares under the 2020 Restricted Share Incentive Plan on June 14, 2024, and completed the issuance of 26,895,200 new H Shares on December 30, 2024. The total share capital of the Company has increased from 1,344,771,235 Shares to 1,372,131,923 Shares and the registered capital was increased from RMB1,344,771,235 to RMB1,372,131,923.

Given that the Company completed the re-election of the Board on June 5, 2024, the Company convened the first meeting of the fourth session of the Board on June 12, 2024, and considered and approved the Resolution on the Appointment of the Company’s Chief Executive Officer (CEO), and the Resolution on the Appointment of the Company’s Vice President and Chief Financial Officer (CFO). In accordance with the actual situation of the Company, the Company amended certain job titles of its new senior management officers, including renaming “General Manager” to “Chief Executive Officer (CEO)”, “Deputy General Manager” to “Vice President” and “person in charge of finance” to “Chief Financial Officer (CFO)”. The amendments to job titles did not involve any adjustment to the organizational structure of the Company’s management.

Due to the above-mentioned change of the registered capital of the Company, in accordance with the latest provisions of relevant laws and 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, the Guidelines on the Articles of Association of Listed Companies, the Rules Governing the Listing of Shares on the ChiNext of Shenzhen Stock Exchange, No. 2 Self – Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies – the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the ChiNext Board, and the Listing Rules, and taking into account the actual conditions of the Company, the Board approved and proposed to make the Proposed Amendments.

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The Board thus proposed to amend the Articles of Association in relation to the Proposed Change of Registered Capital and the above-mentioned amendments to job titles, while the other contents of the relevant articles remained unchanged. Details of the Proposed Amendments (with underline to denote text to be replaced and bold to denote text to be added in place thereof) are as follows:

No.	Before the Proposed Amendments	After the Proposed Amendments
1	Article 6 The registered capital of the Company is RMB <u>1,344,771,235</u> .	Article 6 The registered capital of the Company is RMB 1,372,131,923 .
2	Article 22 The total number of shares of the Company is <u>1,344,771,235</u> , all of which are ordinary shares, including <u>1,144,025,635</u> shares, held by shareholders of A shares, accounting for approximately <u>85.07%</u> of the total share capital of the Company; <u>200,745,600</u> shares held by shareholders of H shares, accounting for approximately <u>14.93%</u> of the total share capital of the Company.	Article 22 The total number of shares of the Company is 1,372,131,923 , all of which are ordinary shares, including 1,144,491,123 shares, held by shareholders of A shares, accounting for approximately 83.41% of the total share capital of the Company; 227,640,800 shares held by shareholders of H shares, accounting for approximately 16.59% of the total share capital of the Company.
3	Full text*: <u>general manager</u>	Replacement*: Chief Executive Officer (CEO)
4	Full text*: <u>deputy general manager</u>	Replacement*: Vice President
5	Full text*: <u>person in charge of finance</u>	Replacement*: Chief Financial Officer (CFO)

**Note:* replacement generally of references to the term indicated by underlined text with the term indicated by bold text

Save for the Proposed Amendments, the other provisions of the Articles of Association shall remain unchanged. The Articles of Association is drafted in Chinese and the English version is an unofficial translation for reference only. In case of any discrepancies, the Chinese version shall prevail. The Proposed Change of Registered Capital and the Proposed Amendments are subject to the consideration and approval by way of special resolutions at the AGM. The Board also proposed seek Shareholders' approval to authorize the management of the Company to handle the subsequent registration for modification of industrial and commercial registration, filing of the Articles of Association and other related matters. The authorization once approved by the Shareholders, shall be valid from the date of consideration and approval on the AGM to the date when the relevant modification of industrial and commercial registration and filing of the Articles of Association are completed, of which, the coming into effect of the specific changes to the content of the Articles of Association is subject to the industrial and commercial registration.

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2024 AGM

The notice convening the AGM of the Company to be held at the conference room of Jinjiang International Hotel, 88 Jindongbei Road, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC on Wednesday, May 28, 2025 at 2:30 p.m. with the form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the AGM, please complete and sign the form of proxy for use at the AGM in accordance with the instructions printed thereon and return them to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 2:30 p.m. on Tuesday, May 27, 2025). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case maybe) if you so wish.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed in this circular, no connected persons of the Company, the Shareholders and their respective associates had a material interest in the resolutions proposed, considered and approved at the AGM which would require them to abstain from voting at the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the H Shareholders entitled to attend and vote at the AGM, the register of members of the H Shares of the Company will be closed from the period of Friday, May 23, 2025 to Wednesday, May 28, 2025 (both days inclusive), during which no transfer of H Shares will be registered. H Shareholders whose names appear on the register of members of the Company on Friday, May 23, 2025 shall be entitled to attend and vote at the AGM. H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, May 22, 2025 to complete registration.

VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll. On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner or abstain.

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RECOMMENDATION

The Board considers that each resolution to be proposed at the AGM is in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favor of all the resolutions to be proposed at the AGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in 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.

Yours faithfully
By Order of the Board
JL MAG Rare-Earth Co., Ltd.
Cai Baogui
Chairman

The Company and all Directors and Supervisors warrant that this Employee Stock Ownership Plan (the “**ESOP**”) and its summary do not contain any false information, misleading statements or material omissions, and shall bear individual and joint legal liabilities for its truthfulness, accuracy and completeness.

RISK WARNING

- I. The ESOP shall be approved by the general meeting of the Company before it can be implemented. There is uncertainty as to whether it can be approved by the general meeting of the Company.
- II. The specific source of funds, contribution proportion and implementation plan of the ESOP are the results of preliminary determination. There is uncertainty as to whether the implementation can be completed.
- III. Employees shall participate in the ESOP in accordance with principles including legal compliances, voluntary participation and self-assumption of risk. There is a risk that the ESOP may not be established if the employees subscribe for a low amount of funds, and that the ESOP may fall below the estimated size if the employees subscribe for an insufficient amount of funds.
- IV. The Company will disclose the relevant progress in accordance with regulations. Investors are advised to make cautious decision, and pay attention to investment risk.

IMPORTANT NOTICE

- I. The Employee Stock Ownership Plan for 2025 (the “**ESOP**” or the “**Plan**”) of JL MAG Rare-Earth Co., Ltd. (“**JL MAG**” or the “**Company**”) is prepared in accordance with the requirements of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plans by Listed Companies, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 2 – Standardized Operation of Listed Companies on the ChiNext Market, other relevant laws, administrative regulations, rules, normative documents, and the Articles of Association of JL MAG Rare-Earth Co., Ltd. (the “**Articles of Association**”).
- II. The implementation of the ESOP is subject to the discretionary decisions of the Company and the voluntary participation of the employees. There is no circumstances where employees are compelled to participate in the ESOP in such forms as apportionment and mandatory allocation.
- III. The Participants of the ESOP shall be the directors (excluding independent directors), supervisors, senior management, core management, core technical (business) personnel and other important personnel of the Company (including the controlled subsidiaries, same below) who have an important role in and influence on the Company’s overall performance and medium- to long-term development. The total number of Participants in the ESOP shall be no more than 500, of which 7 shall be directors (excluding independent directors), supervisors and senior management, and the specific number of Participants shall be determined based on the actual contributions made by the employees.
- IV. The source of funds for the ESOP shall be derived from personal legal remuneration and other self-raised funds of the employees or funds obtained in other manners permitted by laws and regulations. The Company shall not in any way provide financial assistance to or provide guarantees for the Participants. The ESOP does not involve leveraged funds.
- V. The shares of the ESOP come from the ordinary A shares of JL MAG repurchased by the Company’s special account for repurchase. After the ESOP is approved at the general meeting, the ESOP shall receive the Shares from the Company’s special securities account for repurchase through non-trading transfer or other methods permitted by laws and regulations. The total number of shares transferred to the ESOP shall not exceed 8,015,784 shares, representing 0.58% of the Company’s current total share capital of 1,372,131,923 shares. The price to purchase the repurchased shares under the ESOP shall be RMB10.67/share.

VI. Upon completion of the implementation of the ESOP, the total number of Shares held under all effective employee share ownership plans of the Company shall not exceed 10% of the total share capital of the Company cumulatively. The total number of Shares held by any individual employee corresponding to his/her interest in the units of the ESOP shall not in aggregate exceed 1% of the total share capital of the Company cumulatively. The total number of the Underlying Shares does not include the Shares acquired by Participants prior to the initial public offering of the Company's Shares, the Shares purchased independently through secondary market, and the Shares acquired by the Participants through other stock incentives.

VII. The duration of the ESOP shall be 72 months commencing from the date on which the Plan is considered and approved at the general meeting and the Company announces the completion of transfer of the last tranche of the Underlying Shares to the ESOP. The Underlying Shares acquired by the ESOP shall be unlocked in three tranches. The time point of unlocking is 12 months, 24 months and 36 months respectively from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP, and the proportion of the Underlying Shares to be unlocked for each tranche is 40%, 30% and 30%, respectively. The specific proportion and number of shares to be unlocked for each year are determined according to the Company's performance and the results of the individual performance of the Participants.

The ESOP shall be terminated automatically upon the expiration of its duration, which may be extended before the expiry of the duration. The duration of the ESOP may be extended when agreed by the Participants holding more than two-thirds (inclusive) of the total units present at the Participants' Meeting, and as considered and approved by the Board.

VIII. The Participants of the ESOP include Directors, Supervisors and Senior Management who are related persons of the Plan. Among them, some of the Directors, Supervisors and Senior Management. Participants have voluntarily waived their voting rights in respect of the shares of the Company held through the Plan, retained only the rights to dividends and investment income in respect of such shares, voluntarily waived their rights to make proposals and to vote at the meetings of the Participants, and have undertaken not to take up any position on the Management Committee of the Plan. There is no acting-in-concert relationship between the ESOP and the controlling Shareholder, de facto controller, Directors, Supervisors or Senior Management.

IX. The ESOP shall be managed by the Company itself in its duration. The Plan has a Management Committee, which is responsible for the day-to-day management of the ESOP, the exercise of voting rights on behalf of the Plan and the disposal of rights and interests, among other specific tasks.

- X. The Company has solicited the opinions of its employees through the Employee Representative Meeting prior to the implementation of the ESOP. After the Board of Directors has considered and approved the ESOP, the Company will issue a notice to convene a general meeting and submit the Plan to the general meeting for deliberation and approval before it can be implemented. The general meeting of the Company to consider the ESOP will adopt a combination of on-site voting and online voting. The Company will provide shareholders with an online voting platform through the trading system and the Internet voting system of the Shenzhen Stock Exchange. The shareholders of the Company may exercise their voting rights through the aforesaid system during the online voting hours.
- XI. The financial and accounting treatment and tax issues in connection with the Company's implementation of the ESOP shall be handled in accordance with the relevant financial systems, accounting standards and tax systems. The employee shall bear the relevant taxes incurred due to the participation in the ESOP.
- XII. The implementation of the ESOP will not cause the Company's equity distribution to fail to meet the listing requirements.

CHAPTER 1 DEFINITIONS

In this Draft Plan, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

JL MAG, the Company, Company or Listed Company	JL MAG RARE-EARTH CO., LTD.
The Employee Stock Ownership Plan, the ESOP, the Stock Ownership Plan or the Plan	The A Shares Employee Stock Ownership Plan for 2025 of JL MAG RARE-EARTH CO., LTD.
The Draft ESOP or the Draft Plan	The A Shares Employee Stock Ownership Plan for 2025 of JL MAG RARE-EARTH CO., LTD. (Draft)
Participants	Employees of the Company who contribute to and participate in the Employee Stock Ownership Plan
Participants' Meeting	The Participants' Meeting of the Employee Stock Ownership Plan
Management Committee	The Management Committee of the Employee Stock Ownership Plan
Underlying Shares	The ordinary A shares transferred to and held by the Employee Share Ownership Plan in a lawful manner
Measures for Administration of Employee Stock Ownership Plan	Measures for Administration of the A Shares Employee Stock Ownership Plan for 2025 of JL MAG RARE-EARTH CO., LTD.
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Depository and Clearing Company	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Guiding Opinions	Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies

Self-regulatory Guidelines	The Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 2 – Standardized Operation of Listed Companies on the ChiNext Market
Articles of Association	Articles of Association of JL MAG Rare-Earth Co., Ltd.
RMB, RMB'0,000	RMB, RMB'0,000

Note: Any discrepancies between the total number and the sum of all values in the Plan are caused by rounding.

CHAPTER 2 PURPOSE AND BASIC PRINCIPLES OF THE ESOP

I. PURPOSE OF THE ESOP

The Draft Plan is prepared by the Company in accordance with the Company Law, Securities Law, Guiding Opinions, Self-regulatory Guidelines, other relevant laws, administrative regulations, rules, normative documents, and the Articles of Association.

The employees of the Company shall participate in the ESOP voluntarily, legally and in compliance with the law. The implementation of the ESOP is aimed at establishing and perfecting the benefit-sharing mechanism between workers and owners, improving the level of corporate governance, enhancing employee cohesion and the competitiveness of the Company, mobilizing the enthusiasm and creativity of the employees, and promoting the long-term, sustained and healthy development of the Company.

II. BASIC PRINCIPLES OF THE ESOP

(I) Legal compliance

In implementing the ESOP, the Company strictly follows the procedures provided under the laws and administrative regulations, and discloses true, accurate and complete information in a timely manner. No person may use the ESOP to engage in insider trading, manipulation of the securities market, or other fraudulent actions in relation to securities.

(II) Voluntary participation

The implementation of the ESOP is subject to the discretionary decisions of the Company and the voluntary participation of the employees. There is no circumstances where employees are compelled to participate in the ESOP in such forms as apportionment and mandatory allocation.

(III) Self-assumption of risks

The Participants of the ESOP shall be responsible for their own profits and losses, bear their own risks and enjoy equal rights and interests as other investors.

CHAPTER 3 BASIS FOR DETERMINATION AND SCOPE OF PARTICIPANTS OF THE ESOP

I. BASIS FOR DETERMINATION OF PARTICIPANTS OF THE ESOP

(I) Legal Basis for Determination of Participants

The Participants of the ESOP are determined in accordance with the provisions of the Company Law, the Securities Law, the Guiding Opinions, the Self-regulatory Guidelines and other relevant laws, regulations, normative documents and the Articles of Association. Employees shall participate in the ESOP in accordance with principles including legal compliance s, voluntary participation and self-assumption of risk. All the Participants must have entered into labor contracts with or have signed labor contracts with and receive remuneration from the Company or its subsidiaries in the duration of the ESOP.

(II) Position Basis for Determination of Participants

Participants of the ESOP shall be either:

1. Directors (excluding independent directors), supervisors and senior management of the Company;
2. Core management, core technical (business) personnel and other important personnel of the Company.

Eligible employees shall participate in the ESOP in accordance meeting the conditions principles including legal compliance s, voluntary participation and self-assumption of risk.

II. SCOPE OF PARTICIPANTS OF THE ESOP

The Participants of the ESOP shall include some directors (excluding independent directors), Supervisors, senior management, core management, core technical (business) personnel and other important personnel of the Company, totaling no more than 500 persons.

III. VERIFICATION OF PARTICIPANTS OF THE ESOP

The law firm engaged by the Company shall issue a legal opinion on whether the eligibility and other circumstances of the Participants are in compliance with the relevant laws and regulations, the Articles of Incorporation and the Draft Plan.

IV. SHARE ALLOCATION FOR PARTICIPANTS UNDER THE ESOP

With a total amount of not exceeding RMB85,528,416, the ESOP shall be divided into “units” for subscription, with subscription price of each unit equivalent to RMB1.00. The maximum number of units under this Employee Stock Ownership Plan is 85.528416 million units, and employees must subscribe for integer multiples of units. The specific number of units held by the Participants of the ESOP shall be determined based on the actual contribution.

The Participants of the ESOP are employees of the Company, including 7 directors, supervisors and senior management of the Company, who will subscribe for no more than 10.936750 million units in aggregate, accounting for 12.79% of the total number of units of the Plan; no more than 493 core management, core technical (business) personnel and other important personnel, who will subscribe for no more than 74.591666 million units in aggregate, accounting for 87.21% of the total number of units of the Plan.

List of the Participants of the ESOP and their share allocation are as set out below:

SN	Name	Position	Upper limit of proposed subscription units (0'000 units)	Proportion in total number of units of the Plan	Number of shares for the units acquired (0'000 shares)
1	Lyu Feng	Vice Chairman, Vice President	213.4000	2.50%	20
2	Xie Hui	Chief Financial Officer	213.4000	2.50%	20
3	Su Quan	Vice President	320.1000	3.73%	30
4	Lai Xunlong	Board Secretary	213.4000	2.50%	20
5	Liu Qiu jun	Chairman of the Supervisory Committee	106.7000	1.25%	10
6	Li Hua	Supervisor	21.3400	0.25%	2
7	Liang Qilu	Employee Supervisor	5.3350	0.06%	0.5
Core management, core technical (business) personnel and other important personnel of the Company (no more than 493 persons)			7,459.1666	87.21%	699.0784
Total			8,552.8416	100%	801.5784

Notes:

1. Participants of the ESOP do not include the Shareholders holding 5% or more of the Shares or the de facto controllers, their spouses, parents and children;
2. Participants of the ESOP do not include independent directors;
3. In the event of a renunciation of the subscription by an employee, the Board may authorize the Management Committee to reallocate such portion of the equity share to other eligible employees, provided that after the reallocation, the total number of shares corresponding to an individual employee's units of the ESOP shall not exceed 1% of the total share capital of the Company cumulatively;
4. The tailing difference of the above calculation results is due to rounding. The units of the ESOP are based on the actual contributions made by the Participants.

Participants of the ESOP shall pay the subscription amount in full and on time, and the payment schedule of the ESOP will be notified and arranged by the Company. Any Participant who fails to pay the subscription amount on time and in full will automatically lose his/her corresponding right of subscription, and his/her proposed subscription units can be declared for subscription by other Eligible Participants. The Board of Directors may adjust the list of Participants and their subscription units according to the actual payment status of the employees.

CHAPTER 4 SOURCE OF FUNDS, SHARE SOURCE, SIZE OF THE ESOP AND PURCHASE PRICE

I. SOURCE OF FUNDS OF THE ESOP

The sources of funds of the ESOP shall be the employees' legitimate remuneration, self-raised funds and other sources permitted by laws and regulations. The Company does not provide financial assistance of any form to the Participants or provide guarantees for their loans, nor does it involve any arrangement from any third party providing incentives, grants, subsidies or making up the balance to employees for their participation in the ESOP.

The ESOP shall be divided into "units" for subscription, with subscription price of each unit equivalent to RMB1.00. The specific number of units held by the Participants of the ESOP and the corresponding amount shall be determined based on their actual contribution amount.

II. SHARE SOURCE OF THE ESOP

The shares of the ESOP come from the ordinary A shares of JL MAG repurchased by the Company's special account for repurchase.

The Company held the Twenty-third Meeting of the Third Session of the Board of Directors and the Twentieth Meeting of the Third Session of the Supervisory Committee on October 30, 2023 to consider and approve the "Resolution of Repurchase of the Shares of the Company". For details, please refer to the "Announcement on Repurchase of the Company's Shares" (Announcement No. 2023-063) disclosed by the Company on www.cninfo.com.cn on October 30, 2023 and the Report on the Repurchase (Announcement No. 2023-066) disclosed on November

3, 2023. On December 23, 2023, the Company disclosed the “Announcement on the First Repurchase of the Company’s Shares and the Completion of Share Repurchase and Changes in Shares” (Announcement No. 2023-074). As of December 22, 2023, the Company repurchased 8,015,784 shares of the Company through the special securities account for repurchase by means of centralized bidding transactions, representing approximately 0.60% of the Company’s total share capital at that time. The highest trading price of the repurchased shares was RMB20.55 per share and the lowest trading price was RMB19.22 per share, with a total trading amount of RMB159,983,171.22 (excluding transaction costs). The Company’s share repurchase was completed.

After the ESOP is approved at the general meeting, the ESOP shall receive the Shares from the Company’s special securities account for repurchase through non-trading transfer or other methods permitted by laws and regulations.

III. SHARE SIZE OF THE ESOP

The total number of shares under the ESOP shall not exceed 8,015,784 shares, representing 0.58% of the Company’s current total share capital of 1,372,131,923 shares.

Upon completion of the implementation of the ESOP, the total number of Shares held under all effective employee share ownership plans of the Company shall not exceed 10% of the total share capital of the Company cumulatively. The total number of Shares held by any individual employee corresponding to his/her interest in the units shall not in aggregate exceed 1% of the total share capital of the Company cumulatively. The total number of the Shares held under the ESOP does not include the Shares acquired by employees prior to the initial public offering of the Company’s Shares, the Shares purchased independently through secondary market, and the Shares acquired by the Participants through other stock incentives.

The implementation of the ESOP will not result in the change of control of the Company, nor will it cause the Company’s equity distribution to fail to meet the listing requirements.

IV. PURCHASE PRICE OF SHARES UNDER THE ESOP AND THE DETERMINATION METHOD

(I) Method for determining the purchase price

The price to purchase the repurchased shares under the ESOP shall be RMB10.67/share. The purchase price shall not be less than the higher of the following prices:

1. 50% of RMB20.21 per share, the average price of the Company’s A Shares traded on the trading day immediately preceding the announcement of the draft ESOP, calculated as the total transaction amount of the A Shares on the preceding trading day divided by the total volume of the A Shares traded on the preceding trading day, which is RMB10.11 per share;

2. 50% of RMB21.34 per share, the average price of the Company's A Shares traded over the past 20 trading days preceding the announcement of the draft ESOP, calculated as the total transaction amount of the A Shares traded over the preceding 20 trading days divided by the total volume of the A Shares traded over the preceding 20 trading days, which is RMB10.67 per share;
3. 50% of RMB20.80 per share, the average price of the Company's A Shares over the past 60 trading days preceding the announcement of the draft ESOP, calculated as the total amount of the A Shares traded over the preceding 60 trading days divided by the total volume of the A Shares traded over the preceding 60 trading days, which is RMB10.40 per share;
4. 50% of RMB20.11 per share, the average price of the Company's A Shares traded over the past 120 trading days preceding the announcement of the draft ESOP, calculated as the total amount of Shares traded over the preceding 120 trading days divided by the total volume of the A Shares traded over the preceding 120 trading days, which is RMB10.06 per share; In the event of any conversion of capital reserve into share capital, bonus issue, share sub-division, share consolidation, rights issue or dividend distribution of the Company in the period from the date of the announcement of the Draft ESOP to the completion of registration of the Repurchased Shares of the ESOP, the Share Purchase Price shall be adjusted accordingly. The adjustment methods are as follows:

- (1) Conversion of capital reserve into share capital, bonus issue, share sub-division

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

Where: P_0 represents the Purchase Price before the adjustment; n represents the ratio of the conversion of capital reserve per share into share capital, bonus issue and share sub-division; P represents the Purchase Price after the adjustment.

- (2) Rights issue

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

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

(3) Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Purchase Price before the adjustment; n represents the ratio of share consolidation per share; P represents the Purchase Price after the adjustment.

(4) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Purchase Price before the adjustment; V represents the dividend per share; P represents the Purchase Price after the adjustment. P shall be greater than 1 after the adjustment of dividend distribution.

(5) Additional issue

Under the circumstance of additional issue of new shares of the Company, no adjustment will be made on the Purchase Price of the Repurchased Shares of the ESOP.

(II) Pricing Basis

First, the transfer price and pricing method for the ESOP are determined with the fundamental purpose of promoting the Company's development and safeguarding shareholders' rights and interests, based on the confidence in the Company's future development prospects and recognition of its intrinsic value, and in accordance with the principle of equal incentives and constraints.

Second, with the intensification of industry and talent competition, how to attract, motivate and retain talents has become an important issue for enterprises. The implementation of the employee stock ownership plan is an effective supplement to the existing remuneration package of employees, and the income of Participants depends on the future performance development of the Company and the stock price in the secondary market, so that the interests of employees and shareholders are highly consistent.

In summary, on the basis of reference to relevant policies and cases of other listed companies, and taking into account the purpose of reasonable incentives for the Participants, it is determined that the Employee Stock Ownership Plan shall purchase shares in the Company's repurchase account at a price of RMB10.67 per share, which is reasonable and scientific and will not jeopardize the interests of the Company and all shareholders.

**CHAPTER 5 DURATION, LOCK-UP PERIOD AND
PERFORMANCE APPRAISAL OF THE ESOP**

I. DURATION

- (I) The duration of the ESOP shall be 72 months commencing from the date on which the Draft ESOP is considered and approved at the general meeting and the Company announces the last tranche of the Company's shares has been transferred to the ESOP. The ESOP will be automatically terminated upon the expiration of its duration if not extended.
- (II) If all of the Underlying Shares held under the ESOP are sold and the liquidation and distribution is completed in accordance with the regulations, the ESOP may be terminated early upon deliberation and approval of the Participants' Meeting and the Board.
- (III) If within 1 months prior to the expiration of the duration of the ESOP, the Shares held have not been sold out or transferred to the Participants of the Plan, the duration of the ESOP may be extended when agreed by the Participants holding more than two-thirds (inclusive) of the total units present at the Participants' Meeting, and as considered and approved by the Board.
- (IV) If, due to circumstances such as suspension of trading in the Company's shares or a short window period, the Company's shares held by the ESOP cannot all be sold or transferred to the Participants of the Plan before the expiration of the duration of the ESOP, the duration of the ESOP may be extended when agreed by the Participants holding more than two-thirds (inclusive) of the total units present at the Participants' Meeting, and as considered and approved by the Board.
- (V) The Company shall disclose a reminder announcement six months prior to the expiry of the duration of the ESOP, stating the number of shares held by the expiring ESOP and its proportion in the total share capital of the Company.
- (VI) The Company shall disclose the number of shares held by the expiring ESOP and its proportion in the total share capital of the Company, the disposal arrangement after the expiry upon the expiration of the duration of the ESOP, and shall perform the corresponding deliberation procedures and disclosure obligations in accordance with the ESOP.

II. LOCK-UP PERIOD OF THE ESOP AND ITS RATIONALITY AND COMPLIANCE**(I) Lock-up arrangement**

1. The Underlying Shares acquired by the ESOP shall be unlocked in three tranches after 12 months from the date when the ESOP is approved by the general meeting and the Company announces the transfer of the Underlying Shares to the ESOP, as detailed below:

Unlocking arrangement	Unlocking time	Unlocking proportion
Unlocking time point for the first tranche	12 months from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP	40%
Unlocking time point for the second tranche	24 months from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP	30%
Unlocking time point for third tranche	36 months from the date of the Company's announcement of the completion of transfer of the last tranche of the Underlying Shares to the ESOP	30%

2. The Underlying Shares obtained under the ESOP and Shares derived from the distribution of dividends of Shares, conversion of capital reserves by the Listed Company, and other circumstances shall also be subject to the above-mentioned share lock-up arrangements.

(II) Trading restrictions of the ESOP

The ESOP shall strictly comply with the market trading rules and the relevant regulations of the CSRC and the SZSE in relation to the trading of shares, and shall not trade in the Shares during the following periods:

1. Within 15 days prior to the publication of announcement of annual reports and interim reports of the Company, in case of date of such announcement being postponed due to special reasons, within 15 days prior to the date of the original announcement to the day prior to the announcement;
2. Within 5 days prior to the publication of the Company's announcement on quarterly report, estimated results and preliminary results;
3. From the date of occurrence of or during the decision-making process in relation to any material event that may have a material impact on the trading price of the Shares and its derivatives to the date of the disclosure of the same in accordance with the law;
4. Other time as stipulated by the CSRC and the SZSE.

If there are any changes in the relevant laws, administrative regulations, departmental rules or normative documents in the future regarding the above mentioned period of inadmissibility of trading in the Company's shares, the latest provisions shall prevail.

(III) Explanation on the Rationality and Compliance of the Lock-up Period

The lock-up period for the ESOP is set up based on the principle of equal incentives and constraints. On the basis of compliance with the law, the lock-up period can be set to fully motivate the employees and at the same time impose corresponding constraints on the employees, so as to more effectively unify the interests of the Participants and the Company and the shareholders of the Company and to achieve the purpose of this Employee Share Ownership Plan, thereby promoting the further development of the Company.

III. PERFORMANCE APPRAISAL OF THE ESOP

(I) Performance appraisal at the Company level

The Company's results of operations shall be evaluated on an annual basis in three financial years of 2025–2027 for the unlocking of the ESOP. The annual performance appraisal objectives are as follows:

Unlocking Period	Corresponding appraisal year	Target Growth Rate of Annual Net Profit Relative to 2024
The first unlocking period	2025	Increase in net profit in 2025 over net profit in 2024 of not less than 20%
The second unlocking period	2026	Increase in net profit in 2026 over net profit in 2024 of not less than 45%
The third unlocking period	2027	Increase in net profit in 2027 over net profit in 2024 of not less than 80%
or		

Unlocking Period	Corresponding appraisal year	Target growth rate of annual revenue relative to 2024
The first unlocking period	2025	Increase in revenue in 2025 over revenue in 2024 of not less than 20%
The second unlocking period	2026	Increase in revenue in 2026 over revenue in 2024 of not less than 50%
The third unlocking period	2027	Increase in revenue in 2027 over revenue in 2024 of not less than 100%

Notes:

1. The calculation of the “net profit” is based on the audited net profit attributable to shareholders of the listed company and excluding the share-based payment expenses arising from the implementation of the Plan and other employee share ownership plans or stock incentive plans.
2. The performance targets involved in the above unlocking arrangements do not constitute performance forecasts or substantial commitments by the Company to investors.

If the Company’s performance appraisal targets are not achieved in a lock-up period, the proceeds from the sale of the Underlying Shares corresponding to the unlocked units at the end of that period after the expiration of the lock-up period shall be attributed to the Company, and the Company shall return the Participants’ original capital contribution to the extent of the amount of the proceeds. If there is surplus after returning the contribution to Participants, the surplus shall be attributed to the Company.

(II) Performance appraisal at individual level

Under the premise of achieving the Company’s performance objectives, the ESOP will conduct performance appraisal at the individual level and determine the actual number of shares that can be released from lock-up for the current period for the shares corresponding to the units held by the individual in accordance with the appraisal results. The performance appraisal scores are divided into two bands, as shown in the table below:

Appraisal score (G)	G≥70	G<70
Unlocking ratio at individual level	100%	0

If a Participant is unable to unlock the corresponding Underlying Shares due to appraisal reasons, the Management Committee has the right to allocate the units that fail to meet the unlocking conditions to other employees. If such units are not distributed in the duration of the ESOP, the unallocated portion will be sold on an opportunistic basis in the duration of the Plan after the unlocking date and returned to the individual in the amount of his or her original capital contribution. If there is surplus after returning the contribution to Participants, the surplus shall be attributed to the Company.

(III) Explanation on Scientificity and Reasonableness of the Performance Appraisal Indicators

The ESOP performance appraisal indicators are set in accordance with the basic requirements of the relevant laws, regulations and the Articles of Association. The appraisal indicators are categorized into two levels, i.e. performance appraisal at the Company level and performance appraisal at individual level.

The indicators for performance appraisal at the Company level are net profit and revenue. The design of the overall indicators at the Company level is conducive for the Company to develop steadily in the face of industry competition, attract and retain outstanding talent, and mobilize the enthusiasm and motivation of the Participants, which will help to promote the realization of the Company's strategic objectives and bring more efficient and sustainable returns to the shareholders. The appraisal objectives set by the Company are scientific and reasonable, taking into full consideration the current operating conditions and future strategic development plans and other comprehensive factors.

In addition to the performance appraisal at the company level, the Company has also established performance appraisal at the individual level, which can evaluate the performance of the Participants in an accurate and all-round manner. The Company will determine whether the Participant meets the conditions for unlocking the shares based on the Participant's performance appraisal rating.

Given the above, the appraisal system of the Employee Stock Ownership Plan is all-round, comprehensive and practical. On the one hand, it is conducive to fully mobilizing the motivation and creativity of the Participants and promoting the actual contribution of the Company's core team; On the other hand, it serves as a good discipline for the Participants and provides a solid guarantee for the realization of the Company's future business strategies and objectives.

CHAPTER 6 MANAGEMENT METHOD OF THE ESOP

The ESOP is managed by the Company. The highest authority for the internal management of the ESOP is the Participants' Meeting. The Management Committee is established to oversee the day-to-day management of the ESOP and to exercise the right of the shareholders on behalf of the Participants or to authorize the management institution to exercise the right of the shareholders. The Management Committee shall manage the assets of the ESOP and safeguard the legitimate rights and interests of the Participants in accordance with the laws, administrative regulations, departmental rules, normative documents and the provisions of the securities regulatory authorities and the ESOP, so as to ensure the safety of the assets of the ESOP, and avoid the potential conflicts of interest between other shareholders of the Company and the Participants.

The Board is responsible for formulating and revising the ESOP and handling other relevant matters of the ESOP within the scope as authorized by the general meeting. The rights and obligations of the Management Committee are clearly prescribed in the ESOP and the corresponding Measures for Administration of Employee Stock Ownership Plan. The Company has adopted appropriate risk prevention and segregation measures to effectively safeguard the legitimate rights and interests of the Participants.

I. PARTICIPANTS' MEETING

Employees of the Company will become the Participants under the ESOP upon subscribing for the units under the ESOP. Participants' Meeting is the authority for internal management of the ESOP and comprises all Participants. All the Participants have the right to attend the Participants' Meeting. The Participants may attend and vote at Participants' Meetings in person, or entrust a proxy to attend and vote on his/her behalf. The expenses of travel, board and lodging, etc. incurred by the Participants and their proxies to attend the Participants' Meeting shall be borne by the Participants themselves.

(I) Matters to be considered at the Participants' Meeting

1. election and removal of any members of the Management Committee;
2. alteration, termination, extension of duration, and early termination of the ESOP;
3. when the Company raises funds by placing of Shares, issuance of new Shares, issuance of convertible bonds, etc. during the term of the ESOP, the Management Committee shall submit the proposal on whether to participate and the specific plan of participation to the Participants' Meeting and the Board for consideration;
4. deliberation and amendment of the Measures for Administration of Employee Stock Ownership Plan;
5. authorization to the Management Committee to supervise the daily management of the ESOP;
6. authorization to the Management Committee to exercise shareholders' rights corresponding the assets of the ESOP, such as voting rights;
7. authorization to the Management Committee to take charge of the liquidation and assets allocation of the ESOP;
8. authorization to the Management Committee to decide on matters relating to the disqualification of Participants in accordance with the relevant provisions of the Draft Plan, as well as matters relating to the disposition of the units held by

disqualified Participants, including changes in the Participants' units and the handling of matters relating to Participants who have retired, died or become incapacitated;

9. authorization to the Management Committee to consider and determine the allocation/redistribution plan of units abandoned for subscription, units withdrawn due to failure to meet appraisal standards, personal variations, etc., in accordance with the provisions of the ESOP;
10. other matters that are considered necessary by the Management Committee for consideration at the Participants' Meeting.

(II) Convention and Holding Procedures of the Participants' Meeting

The first Participants' Meeting shall be convened and presided over by the Board Secretary of the Company or a designated person. The members of the Management Committee shall be elected at the first Participants' Meeting. The subsequent Participants' Meetings will be convened by the Management Committee and presided over by the chairperson of the Management Committee. When the chairperson of the Management Committee is unable to perform his/her duty, he/she shall appoint a member of the Management Committee to preside over the meeting.

To convene a Participants' Meeting, the Management Committee shall issue a notice of meeting 3 days prior to the meeting to all the Participants through delivery in person, mail, facsimile, e-mail, announcement or other means. The notice of meeting shall at least include the following details:

1. date and time and location of the meeting;
2. means of convening of the meeting;
3. proposed matters to be considered (meeting proposals);
4. convener and moderator of the meeting, proposer of the extraordinary meeting and his/her written proposals;
5. necessary materials for voting at the meeting;
6. requirements for the Participants to attend the meeting in person or appoint other Participants as proxy to attend the meeting on their behalf;
7. contact person and contact information;
8. date of issuance of the notice.

In case of emergency, a Participants' Meeting may be convened by verbal notice. The verbal notice shall at least include the information above-mentioned in items 1, 2 and 3 and an explanation on the emergency and necessity to convene a Participants' Meeting as soon as possible.

(III) Voting procedures for the Participants' Meeting

1. After each proposal has been fully discussed, the moderator shall invite Participants present at the meeting to vote in due course. The moderator may also decide to invite the Participants present at the meeting to vote only after all proposals have been discussed. Votes may be casted in written form.
2. The Participants shall exercise their voting rights based on the units they hold under this ESOP. Each unit under this ESOP has one vote. Votes at the Participants' Meeting will be taken by way of open ballot.
3. The Participants may vote for or against a resolution, or abstain from voting on the resolution. The Participants present at the meeting shall select one of the voting options as aforementioned and any vote with no selection or two selections or more will be deemed as abstention. Votes that are not filled in, incorrectly filled in, illegible or not cast shall be deemed to have been abstained. Anyone who leaves the venue in the middle of the meeting and does not return without making a choice will be considered to have abstained from voting. Any vote made by the participant after the moderator announces the voting result or after the prescribed voting time shall not be counted.
4. The Participants' Meeting shall nominate two Participants to participate in the ballot counting and ballot scrutinizing, and the moderator of the meeting shall announce the voting results at the venue of the meeting. A resolution is passed if it is approved by the Participants holding more than 50% of the units present at the Participants' Meeting (except for those requiring the consent of more than two-thirds (inclusive) of the units as stipulated in the ESOP), and shall form a valid resolution of such Participants' Meeting after being confirmed by the signatures of the Participants present at the Participants' Meeting.
5. Any resolution of the Participants' Meeting that shall be submitted to the Board or the general meeting for consideration, shall be submitted to the Board or the general meeting for consideration in accordance with the Articles of Association.
6. The moderator of the meeting is responsible for arranging personnel to prepare minutes for the Participants' Meeting.

(IV) Participants who individually or collectively hold more than 15% of the units under the ESOP may submit a temporary proposal to the Participants' Meeting. Such temporary proposal shall be submitted to the Management Committee 3 working days prior to the Participants' Meeting.

(V) Participants who individually or collectively hold more than 30% of the units under the ESOP may propose to convene a Participants' Meeting. The convenor of the Participants' Meeting shall convene the Participants' Meeting within 20 days after receiving the proposal from the Participants who individually or collectively hold more than 30% of the units under the ESOP requesting to convene the Participants' Meeting.

II. MANAGEMENT COMMITTEE

The ESOP shall set up a Management Committee, which is responsible for the daily management of the ESOP and exercises shareholders' rights on behalf of the Participants.

(I) Procedures for election of members of the Management Committee

The Management Committee comprises three members including one chairperson. Members of the Management Committee shall be elected by the Participants' Meeting. The chairperson of the Management Committee shall be elected by a majority of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the ESOP.

(II) Obligations of members of the Management Committee

Members of the Management Committee shall abide by laws, administrative regulations and the Measures for Administration of Employee Stock Ownership Plan and owe the following fiduciary duties to the ESOP:

1. not to take advantage of their positions and authority to accept bribes or other illegal income; not to appropriate any assets of the ESOP;
2. not to misappropriate funds of the ESOP;
3. without the consent of the Management Committee, not to open account under his or her own name or others' names for deposit with the assets or funds of the ESOP;
4. without the consent of the Participants' Meeting, not to lend the funds of the ESOP to others or provide guarantee for others with the assets of the ESOP;
5. not to take advantage of their positions and authority to jeopardize the interests of the ESOP;

6. not to disclose the business secret related to the ESOP without authorization.

Where a member of the Management Committee causes any loss to the ESOP due to his or her breach of the fiduciary duties, such member shall be liable for compensation. The Participants' Meeting shall also have the power to remove a member of the Management Committee by a resolution.

(III) Duties that Management Committee shall perform

1. To convene the Participant's Meeting and implement the resolutions of the Participant's Meeting;
2. To perform daily management of the ESOP on behalf of all Participants;
3. To handle the matters related to unit subscription under the ESOP;
4. To exercise the shareholders' rights on behalf of all the Participants;
5. To execute relevant agreements or contracts with external parties on behalf of the ESOP;
6. To manage the distribution of rights and interests of the ESOP;
7. To decide on the allocation of the units forcibly transferred under the ESOP;
8. To handle unit registration and inheritance registration of the units under the ESOP;
9. To formulate and implement the plan for the ESOP to participate in refinancing matters such as additional issuance of new shares, rights issue or issuance of convertible bonds, as well as the arrangements for participation in cash dividends, bond redemption, issuance of bonus shares, share conversions, share placements and bond placements in the duration of the ESOP;
10. To consider and determine the allocation/redistribution plan for units abandoned for subscription, units withdrawn due to failure to meet appraisal standards, personal changes, etc. in accordance with the provisions of the ESOP (if the person to whom the units are granted is a Director, Supervisor or Senior Management, the allocation plan shall be submitted to the Board for consideration and determination);
11. Other duties delegated by the Participant's Meeting or the ESOP.

(IV) Functions and powers exercised by the chairperson of the Management Committee

1. To convene and preside over the Participants' Meeting and the meeting of Management Committee;
2. To supervise and inspect the execution of resolutions of the Participants' Meetings and the Management Committee meetings;
3. Other functions and powers authorized by the Management Committee.

(V) Procedures for convening the meeting of Management Committee

The Management Committee meetings shall be convened from time to time by the chairperson of the Management Committee. Notice of the meeting shall be sent to all members of the Management Committee 3 days prior to the meeting. The content of the notice shall include the following:

1. date, time and venue of the meeting;
2. subject matter and topic of the meeting;
3. materials necessary for the meeting;
4. date of the notice issued.

(VI) Participants representing 30% (inclusive) or more of the units and 1/3 (inclusive) or more of the members of the Management Committee may propose to convene a meeting of the Management Committee. The chairperson of the Management Committee shall convene and preside over a meeting of the Management Committee within five working days after receiving the proposal.

(VII) Holding and voting procedures of the meeting of Management Committee

1. Management Committee meetings may only be held when more than half of the members of the Management Committee are present.
2. A resolution made by the Management Committee must be approved by more than half of all members of the Management Committee.
3. Each member of the Management Committee shall have one vote regarding the voting for resolutions at the Management Committee, which shall be cast by open ballot.

4. On the premise that members of the Management Committee can fully express their opinions, the Management Committee meetings can be held and resolutions can be made by videoconferencing, teleconference, fax, mails or other means, which shall be signed by the members of the Management Committee attending the meeting.
5. The members of the Management Committee shall attend the Management Committee meetings in person. If the members of the Management Committee are unable to attend the meeting, they may appoint other members of the Management Committee to attend the meeting on their behalf in writing. The form of proxy shall specify the name of the proxy, matters to be dealt with by the proxy, scope of authorization and term of validity, and shall be signed or sealed by the member appointing the proxy. The proxy shall exercise the rights of the members of the Management Committee appointing him/her within the scope of authorization. If a member of the Management Committee fails to attend or fails to appoint a proxy to attend on his/ her behalf a meeting of the Management Committee, he/she shall be deemed to have waived his/her right to vote at the meeting.
6. The Management Committee shall prepare minutes of the matters discussed at the meeting, which shall be signed by the members of the Management Committee present at the meeting.

III. SPECIFIC MATTERS AUTHORIZED BY THE GENERAL MEETING TO THE BOARD OF DIRECTORS

The general meeting shall authorize the Board to handle all matters in relation to the ESOP in full discretion, including but not limited to the following:

1. to authorize the Board to formulate and amend the Draft ESOP;
2. to authorize the Board to implement the ESOP, including but not limited to nominating candidates for members of the Management Committee;
3. to authorize the Board to handle changes and termination of the ESOP, including, but not limited to, disqualification of the Participants in accordance with the provisions of the ESOP, and early termination of the ESOP;
4. to authorize the Board to make decisions on the duration extension and early termination of the ESOP;
5. to authorize the Board to make corresponding adjustments to the ESOP in accordance with the new laws, regulations and policies if there are changes in the relevant laws, regulations and policies during the implementation period after the ESOP is approved by the general meeting;

6. to authorize the Board to handle all matters relating to the lock-up and unlocking of shares purchased under the ESOP and the distribution of such shares;
7. to authorize the Board to formulate and sign the agreements and documents related to the ESOP;
8. to authorize the Board to interpret the ESOP;
9. to authorize the Board to handle other matters necessary for the ESOP, excluding those rights as expressly provided in the relevant documents to be exercised at the general meeting.

The above-mentioned authorizations shall be valid from the date when this Draft ESOP is considered and approved at the general meeting until the date of completion of implementation of the Plan.

IV. RISK PREVENTION AND SEGREGATION MEASURES

- (I) The assets of the ESOP are independent of the inherent assets of the Company. The Company shall not appropriate or misappropriate the assets under the ESOP or in any other way mix the assets under the ESOP with the inherent assets of the Company.
- (II) The rights and obligations of the Management Committee are clearly prescribed in the Draft ESOP and the corresponding Measures for Administration of Employee Stock Ownership Plan. There are sufficient risk prevention and segregation measures. The Management Committee shall manage the assets of the ESOP and safeguard the legitimate rights and interests of the Participants in accordance with the laws, administrative regulations, departmental rules, normative documents and the provisions of the securities regulatory authorities and the ESOP, so as to ensure the safety of the assets of the ESOP, and avoid the potential conflicts of interest between other shareholders of the Company and the Participants.
- (III) In the duration of the ESOP, the Management Committee may engage a third-party professional organization to provide management, consulting and other services for the ESOP.

CHAPTER 7 ASSET COMPOSITION AND ALLOCATION OF RIGHTS AND INTEREST IN THE EMPLOYEE STOCK OWNERSHIP PLAN

I. ASSET COMPOSITION

- (I) Interests corresponding to Shares of the Company;
- (II) Cash deposits and bank interest;

(III) Assets derived from other investments of the ESOP.

The assets of this ESOP are independent of the Company's fixed assets, and the Company shall not entrust the assets of the ESOP to its inherent property. The assets and income obtained as a result of the management, utilization or other circumstances of the ESOP shall be included in the assets under the ESOP.

II. ALLOCATION OF THE RIGHTS AND INTERESTS IN THE ESOP

- (I) In the duration of the ESOP, except as otherwise provided by laws, administrative regulations or departmental rules, or as approved by the Management Committee, the units of the ESOP held by the Participants shall not be transferred, pledged as guarantee or used in other similar manners.
- (II) In the duration of the ESOP, the Participants shall not request for allocation of the rights and interests in the ESOP.
- (III) During the lock-up period, in the event of any conversion of capital reserve and distribution of dividends, the Shares newly acquired by the ESOP due to holding the Company's Shares shall all be locked up and shall not be sold in the secondary market or otherwise transferred, and shall be subject to the same unlocking period as the corresponding Shares.

Upon expiration of the lock-up period of the ESOP, the assets of the ESOP shall be realized by the Management Committee successively and distributed in proportion to the Participants' units under the Plan. Alternatively, the Management Committee may apply to the securities registration and settlement institution to transfer the underlying shares to the Participants' personal accounts in proportion to the units held by the Participants in accordance with the requirements of the relevant laws and regulations, which shall be disposed of by the Participants at their own discretion. If it is not possible to transfer the assets to the personal account due to laws and regulations, the Management Committee will realize the assets and distribute them to the Participants in proportion to the units they hold.

If there are remaining unallocated Underlying Shares and their corresponding dividends, if any, the Management Committee shall determine the disposal method before the expiration of the duration of the ESOP.

- (IV) Upon expiry or early termination of the ESOP, the Management Committee shall complete the liquidation within 30 working days from the date of expiry or termination in accordance with the authorization of the Participants' Meeting and make distribution in proportion to the units held by the Participants under the Plan.

CHAPTER 8 CHANGES AND TERMINATION OF THE EMPLOYEE STOCK OWNERSHIP PLAN AND DISPOSITION OF PARTICIPANTS' INTERESTS**I. CHANGE OF ACTUAL CONTROL, MERGER AND DIVISION OF THE COMPANY**

In case of any changes in the actual controller of the Company for any reasons, or occurrence of merger and division of the Company, whether the ESOP shall be amended or terminated shall be resolved by the Board separately.

II. AMENDMENT TO THE ESOP

In the duration of the ESOP, any amendment to the ESOP may only be implemented upon approval by the Participants holding more than two-thirds of the total units present at the Participants' Meeting and be submitted to the Board for consideration and approval.

III. TERMINATION OF THE ESOP

- (I) The ESOP will be automatically terminated upon expiration of its duration;
- (II) If all of the Underlying Shares held under the ESOP are sold and the liquidation and distribution is completed in accordance with the regulations, the ESOP may be terminated early upon deliberation and approval of the Participants' Meeting and the Board;
- (III) If within 1 month prior to the expiration of the duration of the ESOP, or due to circumstances such as suspension of trading in the Company's shares or a short window period, the Company's Underlying Shares held by the ESOP cannot all be sold or transferred to the Participants before the expiration of the duration of the ESOP, the duration of the ESOP may be extended when agreed by the Participants holding more than two-thirds of the total units present at the Participants' Meeting, and as considered and approved by the Board. The ESOP will be automatically terminated upon expiration of the extension period.

IV. LIQUIDATION AND DISTRIBUTION OF THE ESOP

- (I) In the duration of the ESOP, if the Underlying Shares held by the Plan are sold for cash or if there is any other distributable gain, the Plan is entitled to distributions for each financial year. The Management Committee shall make the distribution in proportion to the units held by the Participants under the Plan after deducting the relevant taxes and fees and the amount payable under the Plan in accordance with the law.
- (II) The Management Committee shall complete the liquidation of the ESOP within 30 working days after the termination date of the ESOP and make distribution in proportion to the units held by the Participants under the Plan.

V. RIGHTS CORRESPONDING TO THE UNDERLYING SHARES HELD BY THE EMPLOYEE STOCK OWNERSHIP PLAN AND THE ARRANGEMENT OF THE PARTICIPANT'S RIGHTS TO POSSESS, USE, GAIN AND DISPOSE OF THE INTERESTS IN SUCH SHARES

- (I) Participants of the ESOP are entitled to the shareholders' rights of the Underlying Shares held under the Plan in proportion to the units they hold, including but not limited to the right to vote, the right to dividends, the right to allotment of shares, the right to conversion of shares and other rights of return on assets.

Directors, Supervisors and Senior Management who are Participants under the ESOP voluntarily waive their voting rights in respect of the Underlying Shares held through the Plan, but are entitled to shareholders' rights other than voting rights.

Participants under the ESOP voluntarily entrust the voting rights of the Underlying Shares held through the Plan to the Management Committee, which will exercise the shareholders' rights on their behalf.

- (II) In the duration of the ESOP, unless otherwise stipulated in laws, administrative regulations, and departmental rules or upon approval of the Management Committee, the units of the ESOP held by the Participants shall not be withdrawn, transferred, pledged, mortgaged, used as guarantee, used for repayment of debts or other similar purposes.
- (III) Within the lock-up period, the Participants shall not request for allocation of the rights and interests in the ESOP.
- (IV) During the lock-up period, in the event of any conversion of capital reserve and distribution of dividends, the Shares newly acquired by the ESOP due to holding the Company's Shares shall all be locked up and shall not be sold in the secondary market or otherwise transferred, and shall be subject to the same lock-up period as the corresponding Shares.
- (V) Upon expiration of the lock-up period and in the duration of the ESOP, the Management Committee shall, in accordance with the authorization of the Participants' Meeting, sell the corresponding Underlying Shares on an opportunistic basis in the duration of the ESOP after the Unlocking Date. Alternatively, the Management Committee may apply to the Depository and Clearing Company to transfer the Underlying Shares to the Participants' personal accounts in proportion to the units held by the Participants in accordance with the requirements of the relevant laws and regulations, which shall be disposed of by the Participants at their own discretion. If it is not possible to transfer the shares to the personal account due to laws and regulations, the Management Committee sell the corresponding Underlying Shares on an opportunistic basis in the duration of the ESOP.

(VI) During the lock-up period, when the Company pays dividends, the cash dividends received by the ESOP for holding the Company's shares will be credited to the monetary assets of the ESOP and will not be distributed separately for the time being. Upon the expiration of the lock-up period, the Management Committee will decide whether to make distributions in the duration of the ESOP in accordance with the authorization of the Participants' Meeting. Upon the expiry of the lock-up period, when the Company pays dividends, the cash dividends received by the ESOP for holding the Company's shares will be credited to the monetary assets of the ESOP.

(VII) In the event of other circumstances that are not provided for in the ESOP, the disposal of units held by the Participants under the ESOP shall be dealt with by the Management Committee.

(VIII) When the Company raises funds by placing of Shares, issuance of new Shares, issuance of convertible bonds, etc. in the duration of the ESOP, the Management Committee shall submit the proposal on whether to participate and the specific participation scheme to the Participants' Meeting and the Board for deliberation.

VI. DISPOSITION OF THE PARTICIPANTS' INTERESTS

(I) In the event of any of the following circumstances, the Management Committee shall have the right to disqualify the Participant from participating in the ESOP and to compulsorily withdraw his/her rights and interests under the Plan and return them to the individual in accordance with the lower of the amount of capital contributed or the proceeds from the sale of such rights and interests; The Management Committee may transfer the withdrawn units of the ESOP to a designated transferee who is eligible to participate in the ESOP; If there is no transferee eligible to participate in the ESOP, the Participants participating in the ESOP shall be jointly entitled to such units:

1. The Participant is an Independent Director or other person who cannot participate in the Company's employee stock ownership plan;
2. The Participant leaves the Company voluntarily for reasons such as expiration of the contract and non-renewal of the contract, or passively due to downsizing of the Company;
3. The Participant is separated from service for incapacity other than due to work-related injuries;
4. The Participant's employment contract or labor contract is terminated by the Company for violating laws and regulations or the Company's rules and regulations;

5. The Participant violates professional ethics, discloses the Company's secrets, or damages the Company's interests or reputation through dereliction of duty or malfeasance;
 6. The Participant is held criminally liable for violating laws and regulations;
 7. The Participant dies for non-work-related reason;
 8. The Participant holds a position in a controlled subsidiary of the Company, but the Company loses control over such subsidiary and the Participant does not remain in a position with the Company or another controlled subsidiary of the Company;
 9. Other circumstances determined by the Management Committee to have a material negative impact on the Company or make it unsuitable for the Participant to participate in the ESOP.
- (II) If one of the following circumstances occurs, the interest held by the Participants shall be handled according to exactly the same procedure as before the occurrence of such circumstance:
1. The Participant undergoes a change of position but remains eligible to participate in the Plan;
 2. If the Participant retires, the results of his/her individual performance appraisal will no longer be included in the unlocking conditions;
 3. If the Participant leaves the Company due to work-related incapacity, the results of his/her individual performance appraisal will no longer be included in the unlocking conditions;
 4. If the Participant dies as a result of performing his/her duties, the interests held by him/her will be inherited by his/her designated heirs of property or legal successors, and his/her personal performance appraisal results will no longer be included in the unlocking conditions;
 5. The Participant serves in a subsidiary controlled by the Company, and the Company loses control over the subsidiary, but the Participant remains in the Company or other controlled subsidiaries of the Company or still serves in the Company.

- (III) If, in the duration of the Plan, circumstances not specified in the above provisions occur that may require the Participants to have their units and unit holding rights under the Plan changed, the Board shall make a separate resolution.

VII. METHOD FOR DISPOSAL OF SHARES UPON EXPIRATION OF DURATION OF THE ESOP

- (I) If all of the Underlying Shares held under the ESOP are sold or transferred to the Participants under the Plan and the liquidation and distribution is completed in accordance with the regulations, the ESOP may be terminated early upon deliberation and approval of the Participants' Meeting and the Board.
- (II) If within 1 month prior to the expiration of the duration of the ESOP, or due to circumstances such as suspension of trading in the Company's shares or a short window period, the Company's Underlying Shares held by the ESOP cannot all be sold or transferred to the Participants before the expiration of the duration of the ESOP, the duration of the ESOP may be extended when agreed by the Participants holding more than two-thirds of the total units present at the Participants' Meeting, and as considered and approved by the Board.
- (III) Upon the expiration of the duration of the ESOP, if the Underlying Shares held by the ESOP have not yet been sold or transferred to the Participants of the Plan in full, the specific disposal method shall be separately resolved by the Board.

CHAPTER 9 ACCOUNTING TREATMENT OF THE ESOP

In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payment and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, for an equity-settled share-based payment in return for services of employees, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period should, based on the best estimate of the number of vested equity instruments, be stated in relevant costs or expenses and the capital reserves at the fair value of the equity instruments on the date of grant.

It is assumed that the Company will hold a general meeting at the end of May 2025 to grant the corresponding 801.5784 million Underlying Shares to the employees participating in the Employee Stock Ownership Plan. Based on the calculations using the closing price of the Company's stock on the most recent trading day prior to the announcement of the ESOP of RMB20.12 per share as a reference, the total expenses that the Company should recognize are expected to be RMB76.0 million, which shall be borne by the Company according to the

respective unlocking ratio each time during the lock-up period. The estimated amortization of ESOP expenses from 2025 to 2028 is as follows:

Unit: RMB0'000

Total share-based payment expenses	2025	2026	2027	2028
7,600	2,470	3,420	1,330	380

Without considering the impact of the ESOP on the Company's performance, the amortization of expenses under the ESOP has a certain impact on the net profit of each year in the duration of the Plan, but the impact is insignificant. After taking into account the positive effect of the ESOP on the development of the Company, the ESOP will effectively stimulate the enthusiasm of the Company's employees and improve operational efficiency.

CHAPTER 10 RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS

I. RIGHTS AND OBLIGATIONS OF THE COMPANY

(I) Rights of the Company

1. If the Participant violates the law, violates professional ethics, divulges the Company's secrets, neglects his/her duty or malfeasance or has other acts that seriously damage the Company's interests or reputation, the Company has the right to disqualify the Participant from participating in the Plan and transfer his/her units in accordance with the relevant provisions of "Chapter 8 Changes and Termination of the Employee Stock Ownership Plan and Disposition of Participants' Interests".
2. Other rights set forth in laws, administrative regulations and the Plan.

(II) Obligation of the Company

1. To discharge the obligation of information disclosure in relation to the ESOP in a true, accurate, complete and timely manner;
2. To open or cancel securities trading account for the ESOP in accordance with relevant regulations;
3. Other obligations set forth in laws, administrative regulations and the Plan.

II. RIGHTS AND OBLIGATIONS OF THE PARTICIPANT**(I) Rights of the Participant**

1. To attend the Participants' Meeting and exercise corresponding voting rights in person or by proxy;
2. To be entitled to the shareholders' rights of the Underlying Shares held under the Plan in proportion to the units they hold, including but not limited to the right to vote, the right to dividends, the right to allotment of shares, the right to conversion of shares and other rights of return on assets;
3. To request for the distribution of their units relating to the assets of the Plan in the duration of the Plan, subject to the approval of the Management Committee;
4. Directors, Supervisors and Senior Management who are Participants under the ESOP voluntarily waive their voting rights in respect of the Underlying Shares held through the Plan, but are entitled to shareholders' rights other than voting rights;
5. Other rights as specified by laws, administrative regulations, departmental rules or the ESOP.

(II) Obligations of the Participant

1. To comply with the relevant provisions under laws, administrative regulations, departmental rules, and the ESOP;
2. To pay the subscription funds in accordance with the subscribed units of the ESOP and the manner of subscription;
3. To bear the risks associated with the ESOP, be responsible for their own profits and losses, and have equal rights and interests with other investors in accordance with the units they hold under the Plan;
4. To comply with the resolutions of the Participant's Meeting and the Measures for Administration of Employee Stock Ownership Plan;
5. In the duration of the ESOP, except as otherwise provided by laws, administrative regulations or departmental rules, or as approved by the Management Committee, Participants shall not transfer their units held under the Plan, nor shall they encumber, pledge or otherwise dispose of their units in a similar manner;
6. Other obligations set forth in laws, administrative regulations and the Plan.

**CHAPTER 11 RELATED-PARTY RELATIONSHIP AND ACTING-IN-CONCERT
RELATIONSHIP UNDER THE ESOP**

There is no acting-in-concert relationship between the ESOP and the controlling shareholders, de facto controller, directors, supervisors or senior management of the Company, as detailed below:

- I. Directors, supervisors or senior management of the Company, including Lyu Feng, Xie Hui, Su Quan, Lai Xunlong, Liu Qiuju, Li Hua, and Liang Qilu, hold the units of the ESOP. The above Participants are related persons of the ESOP, and the relevant persons shall refrain from voting when the Board and the General Meeting of the Company consider proposals relating to the ESOP. Apart from that, there is no related-party relationship between the ESOP and other directors, supervisors and senior management of the Company.
- II. None of the Participants of the ESOP are connected to each other and none of them has signed the Acting-in-Concert Agreement or has any arrangement relating to concerted action.
- III. the Participants' Meeting shall be the supreme authority of this ESOP, and the Management Committee shall be elected by the Participants' Meeting. As the management organization of the Plan, the Management Committee is responsible for the day-to-day management of the ESOP, the exercise of voting rights on behalf of the Plan and the disposal of rights and interests, among other specific tasks.

The aforesaid Directors, Supervisors and Senior Management have voluntarily waived their rights to propose and vote at the Participants' Meeting and have undertaken not to hold any position in the Management Committee. The management and operation of the ESOP is independent of the de facto controller, directors, supervisors and senior management of the Company.

- IV. The aforesaid Directors, Supervisors and Senior Management who are Participants under the ESOP voluntarily waive their voting rights in respect of the Underlying Shares held through the Plan, but are entitled to the right to dividend, the right to allotment of shares, the right to conversion of shares and other rights of return on assets. Other Participants under the ESOP voluntarily entrust the voting rights of the Shares held through the Plan to the Management Committee, which will exercise such rights on their behalf.

In summary, there is no concerted action relationship between the ESOP and the de facto controller, the controlling shareholders, the directors, supervisors and senior management of the Company.

CHAPTER 12 PROCEDURES FOR THE IMPLEMENTATION OF THE ESOP

- I. The Board is responsible for formulating the Draft ESOP.
- II. The Company shall properly solicit the opinions of its employees through the Employee Representative Meeting and other organizations prior to the implementation of the ESOP.
- III. The Supervisory Committee of the Company shall express their opinions on the following matters: whether the ESOP is beneficial to the sustainable development of the Company; whether it will impair the interests of the Company and the shareholders as a whole; whether there is any situation of compelling employees to participate in the ESOP, such as apportionment, mandatory allocation, etc.
- IV. When the Board considers the ESOP, directors who are connected with the ESOP shall abstain from voting. The Board shall, within 2 trading days after the consideration and approval of the ESOP, publish the resolution of the Board, the Draft ESOP, the opinions of the Supervisory Committee and other relevant documents.
- V. The Company shall engage a law firm to issue legal opinions for the ESOP on whether the ESOP and its related matters are legally compliant and whether the necessary decision-making and approval procedures have been fulfilled, and announce the legal opinions 2 trading days prior to the general meeting.
- VI. The Company shall issue the notice of convening the general meeting to deliberate the ESOP.
- VII. When a general meeting is convened to consider the ESOP, shareholders who are connected with the ESOP shall abstain from voting. The general meeting will adopt the combination of on-site voting and online voting. The votes of minority investors will be counted separately and disclosed publicly. The ESOP may be implemented after it has been approved by a majority of the valid votes cast by the shareholders present at the general meeting.
- VIII. The Participants' Meeting shall be convened to elect and appoint members of the Management Committee, and to specify matters in relation to the implementation of the ESOP, with timely disclosure of the convening of the meeting and relevant resolutions.
- IX. The Company shall implement the ESOP and disclose the time, number and proportion of the Underlying Shares acquired in the form of a temporary announcement within 2 trading days of the completion of the transfer of the Underlying Shares to the ESOP.
- X. Other procedures that shall be performed as stipulated by the CSRC and the SZSE.

CHAPTER 13 OTHER IMPORTANT MATTERS

- I. The fact that the ESOP is approved by the Board and the general meeting of the Company does not mean that the Participants have the rights to continue their services in the Company or its controlled subsidiaries, and does not constitute any promise of the Company or its controlled subsidiaries for any continued employment of the relevant employees. The labor or service relationships between the Company or its controlled subsidiaries and the Participants shall remain governed by the related labor or service contracts entered into between them.
- II. Issues of finance, accounting treatment, tax expenses and other issues in relation to the implementation of the ESOP shall be dealt with in accordance with the relevant financial policies, accounting standards and tax policies. The tax liability arising from the Participant's participation in the Plan shall be borne by the Participant in accordance with the provisions of the relevant tax system.
- III. For the ESOP, there is no third party to provide incentives, subsidies, and allowances for employees to participate in the Plan.
- IV. The ESOP shall be interpreted by the Board, and become effective from the date when it is approved by the general meeting.

The following is a summary of the principal terms of the H Share Restricted Share Scheme proposed to be adopted at the AGM but does not form part of, nor was it intended to be, part of the Rules for the H Share Restricted Share Scheme nor should it be taken as effecting the interpretation of the H Share Restricted Share Scheme. The Directors reserve the right at any time prior to the AGM to make such amendments to the H Share Restricted Share Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.

Although the H Share Restricted Share Scheme is prepared in Chinese with no official English version, the summary is prepared in both English and Chinese. In the event of any inconsistency, the English version of the summary shall prevail.

1. PURPOSES AND OBJECTIVES

- (1) To recognize the contributions by certain Eligible Participants and provide Incentive Shares to retain them, thereby contributing to the ongoing operation and development of the Group; and
- (2) to attract suitable personnel for the further development of the Group.

2. PURCHASE PRICE

The Incentive Shares shall be funded by ordinary H Shares issued by the Company. For all Incentive Shares granted under the Scheme, the Purchase Price, payable upon vesting, shall be applied uniformly, which shall not be less than the nominal value of H Shares, nor shall it be less than the highest of the following prices (in each case, the average price of the H Shares traded is arrived at by dividing the total turnover of the H Shares traded on the trading day or over the trading days by the total volume of the H Shares traded on such trading day or over such trading days):

- (1) 50% of the average price of the H Shares traded on the trading day preceding the date of announcement on the proposed adoption of the H Share Restricted Share Scheme.
- (2) 50% of the average price of the H Shares traded over the past 20 trading days preceding the date of the announcement on the proposed adoption of the H Share Restricted Share Scheme (inclusive of the date of such announcement).
- (3) 50% of the average price of the H Shares traded over the past 60 trading days preceding the date of the announcement on the proposed adoption of the H Share Restricted Share Scheme (inclusive of the date of such announcement).
- (4) 50% of the average price of the H Shares traded over the past 120 trading days preceding the date of the announcement on the proposed adoption of the H Share Restricted Share Scheme (inclusive of the date of such announcement).

3. TERM

Except for such early termination as determined by the Board pursuant to the Rules for the H Share Restricted Share Scheme, the Scheme is valid for a period of 10 years from the Adoption Date, after which, no further Incentive Shares shall be granted thereunder but the Rules for the H Share Restricted Share Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to any Incentive Shares granted prior thereto.

4. SCHEME MANDATE LIMIT AND INDIVIDUAL LIMIT

Subject to the Scheme Rules and any waiver or ruling granted by the Stock Exchange, the total number of H Shares which may be issued in respect of all options, if any, and/or Incentives and/or awards to be granted under the Relevant Schemes shall not in aggregate exceed 10% of the total number of H Shares of the Company (excluding Treasury Shares) in issue as at the Adoption Date (the “**Scheme Mandate Limit**”) or as at the date of the last refreshment (“**New Approval Date**”) of the Scheme Mandate Limit with the approval of the Shareholders (as the case may be).

Options, if any, and/or Incentives and/or awards that have already lapsed in accordance with the terms of the Relevant Scheme(s) shall not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved by the Shareholders at any meeting or general meeting, the maximum number of H Shares that may be issued in respect of all options, if any, and/or Incentives and/or awards to be granted under the H Share Restricted Share Scheme and any other share schemes of the Company that involve(s) the issuance of new H Shares under the Scheme Mandate Limit as a percentage of the total number of issued H Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

I. Refreshment of Scheme Mandate Limit

The Scheme Mandate Limit may be refreshed by the Shareholders at general meeting after three years from the later date of (i) the date of Shareholders’ approval for the last refreshment and (ii) the Adoption Date, provided that:

- (1) the total number of H Shares which may be issued in respect of all options, if any, and/or Incentives and/or awards involving new H Shares which may be granted under the H Share Restricted Share Scheme or any other share schemes of the Company under the Scheme Mandate Limit as “refreshed” shall not in aggregate exceed 10% of the H Shares in issue (excluding Treasury Shares) as at the New Approval Date.

- (2) a circular on the proposed refreshed Scheme Mandate Limit has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules, including but not limited to the number of Incentives that were already granted under the existing Scheme Mandate Limit and the reason for the refreshment.

The Scheme Mandate Limit may be refreshed by the Shareholders at general meeting within three years from the later date of (i) the date of Shareholders' approval for the last refreshment, and (ii) the Adoption Date, provided that:

- (1) any controlling shareholders of the Company and their associates (or if there is no such controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the Shareholders' general meeting;
- (2) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements above do not apply if the refreshment is made immediately after an issue of securities by the Company to Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit upon refreshment is the same as the unused part of the Scheme Mandate Limit (calculated as a percentage of the issued H Shares) immediately before the issue of securities, rounded to the nearest whole share.

The Company may seek separate approval from the Shareholders at general meeting for the granting of Incentive Shares beyond the Scheme Mandate Limit, provided that:

- (1) such Incentive in excess of the limit will only be granted to Eligible Participants specifically identified by the Company before the relevant Shareholders' approval is sought;
- (2) a circular containing the details of the grant has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules, including but not limited to the name of each Eligible Participant who may be granted such Incentives, the number and terms of the Incentives to be granted to each Eligible Participant, and the purpose of granting Incentives to the Eligible Participants with an explanation as to how the terms of the Incentives serve such purpose; and
- (3) the number and terms of the Incentives to be granted to such Eligible Participants are fixed before the Shareholders' general meeting of the Company at which the same are approved.

Subject to the Scheme Rules and any waiver or ruling granted by the Stock Exchange, where grant of all options, if any, and Incentive Shares (excluding any options, if any, and/or Incentives and/or awards lapsed in accordance with the terms of the Relevant Schemes) to an Eligible Participant at the time of the grant would result in the H Shares issued and to be issued in respect of such options and Incentive Shares granted in the 12-month period up to and including the Grant Date exceeds 1% of the total number of issued H Shares (excluding Treasury Shares) as at the Grant Date, then no Incentive Shares will be granted to any of the Eligible Participants unless the relevant requirements under Chapter 17 of the Listing Rules have been complied with.

Options (if any) and Incentive Shares that have already lapsed in accordance with the terms of the Relevant Scheme(s) shall not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

II. Individual Limit

Unless approved by the Shareholders in the manner prescribed by the Rules for the H Share Restricted Share Scheme, the total number of H Shares issued and to be issued in respect of all options, if any, and/or Incentives and/or awards granted under the H Share Restricted Share Scheme and any other share schemes of the Company to each Selected Participant in any 12-month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Where any grant of Incentive under the H Share Restricted Share Scheme to a Selected Participant would result in the aggregate number of Shares issued and to be issued in respect of all options, if any, and/or Incentives and/or awards granted under the H Share Restricted Share Scheme and any other share schemes of the Company to such Selected Participant (excluding any such options, if any, and/or Incentives and/or awards lapsed in accordance with the terms of the H Share Restricted Share Scheme or any other share schemes of the Company) in the 12-month period up to and including the date of such grant exceeding the Individual Limit, such grant shall be subject to separate approval of the Shareholders at general meeting with such Selected Participant and his/her close associates (or his/her associates if the Selected Participant is a connected person of the Company) being abstained from voting. In which case, the Company shall send to its shareholders a circular disclosing (i) the identity of such Selected Participant, (ii) the number and terms of the Incentive to be granted (and those options and/or Incentives previously granted to such Selected Participant within the 12-month period), (iii) the purpose of granting the Incentive to such Selected Participant and an explanation as to how the terms of the Incentive Shares serve such purpose, and (iv) any other information as may be required under the Listing Rules. The number and terms of the Incentive(s) to be granted to such Selected Participant shall be fixed before the Shareholders’ approval is sought.

5. ADMINISTRATION

The H Share Restricted Share Scheme shall be subject to the administration of the Board and/or Scheme Administrator (as defined below) in accordance with the terms and conditions as set forth therein, under which the Board has the absolute authority to give any direction, instruction or recommendation to the Trustee or from which the Trustee seeks direction, instruction or recommendation with respect to the H Share Restricted Share Scheme and the Trust.

Any decision, determination and interpretation made by the Board with respect to any matters arising under the H Share Restricted Share Scheme (including the interpretation of any provision) shall be final, conclusive, and binding on all parties. Resolutions of the Board shall be ordinary resolutions and shall be effective upon passing by a majority of the Board. Without prejudice to the foregoing and as permitted under the Listing Rules and other applicable laws and regulations, the Board may resolve to delegate any or all of the Board's rights and duties to another committee of the Board or management committee or to one or more officers of the Company ("**Scheme Administrator**") in accordance with the Rules for the H Share Restricted Share Scheme and the Trust Deed.

The terms of reference and remuneration (if any) of such administrator(s) shall be determined by the Board at their sole discretion from time to time. In the case where no such Scheme Administrator is appointed, the Scheme Administrator shall mean the Board.

The Board's decision or determination under the H Share Restricted Share Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, Incentives thereunder. If a Director is an Eligible Participant he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the H Share Restricted Share Scheme (other than in respect of his/her own participation in it), and may retain Incentives thereunder. Each Eligible Participant waives any right to contest, amongst other things, the value and number of Incentives or H Shares or equivalent fair value of cash underlying the Incentives or H Shares and the Board's administration of the H Share Restricted Share Scheme.

Subject to any applicable laws, rules and regulations, the powers and obligations of the Trustee will be limited as set forth in the Trust Deed. The Trustee shall not exercise any voting rights in respect of any H Shares held under the Trust, and shall hold the Trust Fund (including the H Shares that form part thereof) in accordance with the terms of the Trust Deed.

6. DETERMINATION OF SELECTED PARTICIPANTS

The Board may, at its sole discretion, determine which Eligible Participant shall be entitled to receive grants of Incentives under the H Share Restricted Share Scheme, the number of Incentive Shares and the equivalent fair value in cash (if any) underlying such Incentives to which each Selected Participant shall be entitled, and make the relevant Grant to the Selected Participant accordingly.

Eligible Participants shall include the Employee Participants and Related Entity Participants, and the eligibility of any of them to an Incentive shall, in each case, be determined by the Board from time to time on the basis of the Board's opinion as to the Selected Participant's contribution or potential contribution to the development of the Group.

In determining the eligibility of an Eligible Participant who is an Employee Participant, the Board may consider, on a case-by-case basis, qualitative and quantitative factors, including: (i) his/her skill sets, knowledge, experience, expertise, leadership or complementary competencies and other relevant personal qualities; (ii) his/her educational and professional qualifications, industry knowledge and market connections; (iii) his/her performance, years of service, nature of duties and position within the Group; (iv) his/her adherence to the Group's culture and values; (v) the general financial condition of the Group; (vi) the Group's overall business objectives and future development plan(s); (vii) his/her contribution (past, present and potential) to the development, performance and growth of the Group; and/or (viii) any other matters which the Board considers relevant.

In determining the eligibility of an Eligible Participant who is a Related Entity Participant, the Board may consider, on a case-by-case basis, qualitative and quantitative factors, including: (i) his/her actual or potential degree of involvement in and/or cooperation with the Group; (ii) his/her participation and contribution (past, present and potential) to the development, performance and growth of the Group; (iii) the general financial condition of the Group; (iv) the Group's overall business objectives and future development plan(s); (v) the extent of benefits and synergies brought to the Group; and/or (vi) any other matters which the Board considers relevant.

Without prejudice to the foregoing, in determining whether a person is qualified to be (or, where applicable, continues to qualify to be) an Employee Participant or a Related Entity Participant, the Board will take into account various factors that it in its absolute discretion considers relevant in assessing his/her contribution to the long-term growth of the Group, including (i) individual performance, (ii) time commitment, (iii) initiative and commitment in performing his/her duties, (iv) responsibilities or employment conditions according to the prevailing market practice and industry standard, (v) the length of service/engagement with any member of the Group and/or any Related Entity and (vi) the individual contribution (past, present and potential) to the development, performance and growth of the Group and/or Related Entity.

A Selected Participant shall continue to qualify and maintain his/her eligibility as a Selected Participant during the period when any Incentive Shares granted thereto remains unvested, or otherwise the Company would (subject to the Listing Rules, the Articles and the applicable laws, regulations, rules and requirements for the time being in force in any relevant jurisdiction) be entitled to deem any unvested Incentives or any part thereof, granted to such Selected Participant and to the extent not already vested, as lapsed.

7. GRANT OF INCENTIVES TO SELECTED PARTICIPANTS

The Board shall be entitled to impose any conditions it considers appropriate in relation to the vesting of the Incentive Interests in the Selected Participants in its sole and absolute discretion (subject to the Rules for the H Share Restricted Share Scheme, the vesting period of the Incentive Interests shall not be less than 12 months) and shall notify the Trustees and such Selected Participants of the relevant conditions of the Incentives.

The number and value of the Incentive Shares underlying each grant may be determined at the sole and absolute discretion of the Board or the Scheme Administrator (as the case may be) and may differ among Selected Participants.

Incentives may be granted on such terms and conditions (such as by linking the vesting of the Incentives to the attainment or performance of milestones or targets by any member of the Group, the Selected Participants or any group thereof) as the Board or the Scheme Administrator (as the case may be) may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the H Share Restricted Share Scheme and shall be set forth in the Grant Instrument (as defined below) issued by the Company.

After the Board has decided to make a grant of Incentive Interests to any Eligible Participant, the Board shall procure the Company and the Eligible Participant to execute a written instrument (“**Grant Instrument**”), which sets out details of the Incentives so granted and the conditions (if any, including but not limited to such performance targets as the Board may determine from time to time) upon which such Incentives were granted. Upon due execution of the Grant Instrument by the Company and the relevant Eligible Participant, the Incentives are considered as having been granted to and accepted by the Eligible Participant, who shall become the Selected Participant. The Board shall, within 10 Business Days after the Grant Instrument is duly executed by the Company and the Selected Participant, notify in writing the Trustee of the terms and conditions of such grant (including without limitation the name of the Selected Participant, details of the grant, vesting schedule and conditions (if any) thereof). Subject to any adjustment that may be made pursuant to the Scheme Rules, the number of Incentive Shares specified in the Grant Instrument shall constitute the definitive number of Incentive Shares being granted to such Selected Participant.

If an Eligible Participant fails to execute the Grant Instrument within 10 Business Days after the Grant Date, the relevant Incentives shall be considered as having never been granted to such Eligible Participant and the Incentive Interests shall remain as part of the Trust Fund. Such Eligible Participant shall have no right or claim against the Company, any other member of the Group, the Board, the Trust or the Trustee or with respect to those or any other Incentive Shares or any right thereto or interest therein in any way.

No Incentive shall be granted by the Board pursuant to this Scheme Rules where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time. Without limiting the generality of the foregoing, no such grant is to be made:

- (1) after information to be disclosed under Rule 13.09 of the Listing Rules or inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance has come to the knowledge of the Company until (and including) the trading day after such information has been publicly announced (or the relevant information has otherwise ceased to be inside information) in accordance with the Listing Rules, the Securities and Futures Ordinance and/or the applicable laws;
- (2) at any time during the period commencing 30 days immediately preceding the earlier of:
 - (i) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement. Such period will cover any period of delay in the publication of a results announcement;
- (3) in any circumstance where dealing in Shares by a Selected Participant (including directors of the Company) is prohibited under the Listing Rules, the Securities and Futures Ordinance or any other applicable law or regulation;
- (4) in any circumstance where any requisite approval from any governmental or regulatory authority has not been granted;
- (5) in any circumstance where granting the Incentive is prohibited by or would result in a breach of the Listing Rules, the Securities and Futures Ordinance or any other applicable law or regulation.

8. GRANT OF INCENTIVES TO CONNECTED PERSONS

Subject to any waiver or ruling granted by the Stock Exchange, any grant of Incentives to a Director, Supervisor, chief executive or any substantial shareholder of the Company, or any of their respective associates (excluding any proposed director or chief executive of the Company) shall be valid only upon approval by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of such Incentives) and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules, including where necessary the prior approval of the Shareholders.

Subject to any waiver or ruling granted by the Stock Exchange, where any grant of the Incentives to a Director (excluding independent non-executive Directors), Supervisor, chief executive or any of their respective associates, would result in the H Shares issued and to be issued in respect of all Incentives granted (excluding any Incentives and/or awards lapsed in accordance with the terms of the Relevant Schemes) to such proposed Selected Participant in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of issued H Shares of the Company (excluding Treasury Shares), such further grant of Incentive Shares will not be effective unless:

- (1) the grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the shareholders of the Company at any meeting or general meeting, at which the proposed Selected Participant, his/her associates and all core connected persons of the Company abstained from voting in favor of the relevant resolution granting the approval;
- (2) a circular containing the details of the grant of Incentive has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (as detailed below).

Subject to any waiver or ruling granted by the Stock Exchange, where any grant of Incentives to an independent non-executive Director, any substantial shareholder of the Company, or any of their respective associates, would result in the H Shares issued and to be issued in respect of all options, if any, and Incentives granted (excluding any options, if any, and/or Incentive and/or awards lapsed in accordance with the terms of the Relevant Schemes) to such proposed Selected Participant in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of issued H Shares of the Company (excluding Treasury Shares), such further grant of Incentive Shares will not be effective unless:

- (1) the grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the shareholders of the Company at any meeting or general meeting, at which the proposed Selected Participant, his/her associates and all core connected persons of the Company abstained from voting in favor of the relevant resolution granting the approval;

- (2) a circular containing the details of the grant of the Incentive Shares has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (as detailed below).

Subject to any waiver or ruling granted by the Stock Exchange, any change to the terms of any Incentive Shares granted to any Director, Supervisor, chief executive or substantial shareholder of the Company, or any of their respective associates, shall not be valid unless:

- (1) such change has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the shareholders of the Company at any meeting or general meeting, at which such Selected Participant, his/her associates and all core connected persons of the Company abstained from voting in favor of the relevant resolution granting the approval;
- (2) a circular containing the details of the grant of the Incentive Shares has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (as detailed below).

In each of the events detailed above, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules and send a circular to the Shareholders containing:

- (1) details of the number and terms of the Incentives to be granted to each Selected Participant, which must be fixed before the Shareholders' meeting;
- (2) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of such Incentives) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
- (3) the information required under Rule 17.02(2)(c) of the Listing Rules; and
- (4) the information required under Rule 2.17 of the Listing Rules.

9. TRANSFERABILITY

Any Incentive granted pursuant to the H Share Restricted Share Scheme shall be personal to the Selected Participants and shall not be assignable or transferable, unless otherwise approved by the Board or the Scheme Administrator (as the case may be) and subject to other requirements under the applicable laws, rules and regulations. The terms of the H Share Restricted Share Scheme and the Grant Instrument shall be binding upon the assigns and transferees of the Selected Participants.

The Selected Participants are not entitled to any Shareholder's interest prior to the vesting of the Incentive Shares and shall abstain from voting by virtue of its direct or indirect holding of such H Shares.

Subject to obtaining a waiver from the Stock Exchange, the Company may allow a transfer of Incentive to a vehicle (such as a trust or a private company) for the benefit of the Selected Participant and any family members of such Selected Participant (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the Scheme and comply with Chapter 17 of this Listing Rules. Where such waiver is granted, any transfer to a permitted transferee shall be subject to the terms of the Trust Deed and the applicable laws and regulations including but not limited to the Listing Rules (as amended from time to time).

Notwithstanding the above, no Selected Participant shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Incentive or any Trust Fund held by the Trustee on trust for the Selected Participants, including such H Shares underlying any Incentive or any interest or benefits therein.

Any breach of the aforementioned prohibition shall entitle the Company to cancel the applicable Incentive. For this purpose, a determination by the Board or the Scheme Administrator (as the case may be) as to whether such breach has occurred shall be conclusive.

10. VESTING OF INCENTIVE INTERESTS

Subject to the terms and conditions of the H Share Restricted Share Scheme and upon the fulfilment of all vesting conditions applicable to the vesting of Incentive Interests by such Selected Participants, the relevant Incentive Interests held by the Trustees on behalf of the Selected Participants pursuant to the provisions of the H Share Restricted Share Scheme shall vest in such Selected Participants in accordance with the applicable vesting schedule, and the Trustees shall facilitate the transfer of the Incentive Interests to such Selected Participants and/or to the vehicle controlled by them for the benefits of the Selected Participants and any of the Selected Participants' family members (e.g. a trust or private company) in accordance with the Scheme Rules.

Payment of the Purchase Price for the Incentive Interests so vested shall be made by the Selected Participants on the date of execution of the Vesting Instrument (as defined below). No financial assistance shall be provided by the Group to the Selected Participants to facilitate the purchase of the Incentive Shares.

Upon the vesting of the Incentive Interests:

- (1) barring any unforeseen circumstances, unless otherwise agreed between the Board and the Trustee, at least 30 Business Days prior to the vesting date of the Incentive Shares granted to a Selected Participant, the Board shall procure the Company and the Selected Participant to execute a written instrument to confirm the vesting of the Incentive Shares (the “**Vesting Instrument**”) and/or deliver such forms, documents and instruments as considered necessary by the Trustee (collectively, “**Vesting Documents**”);
- (2) in the event the Selected Participant (or his/her legal personal representative or lawful successor as the case may be) fails to execute the Vesting Instrument and deliver the Vesting Documents at least 10 Business Days prior to the vesting date, the Incentive Interests which would have otherwise vested in such Selected Participant shall be automatically forfeited, lapsed and remain as part of the Trust Fund. For the avoidance of doubt, Incentive Interests that are forfeited and lapsed hereunder may, at the sole discretion of the Board or the Scheme Administrator, be granted to other Eligible Participants; and
- (3) for the purpose of the vesting of Incentive Interests in a Selected Participant, subject to the receipt by the Trustee of such copy of the relevant Vesting Instrument, the Vesting Documents and a written notice from the Board or an authorized person instructing the Trustee to procure the vesting in accordance with the vesting schedule of the Incentive Interests to the Selected Participant and/or a vehicle controlled by him/her (e.g. a trust or private company), the Trustee shall either (a) transfer the relevant Incentive Shares to the relevant Selected Participant and/or a vehicle controlled by him/her (e.g. a trust or private company) or (b) pay to the Selected Participant in cash an amount of equivalent value (and, if applicable, the cash or non-cash income or distributions in respect of those Incentive Shares) from the sale of such Incentive Shares on the market (after deduction or withholding of any tax, fines, levies, stamp duty and other charges applicable) as instructed by the Board as soon as practicable on or after the vesting date and in any event not later than 10 Business Days after the vesting date.

For the avoidance of doubt, any long leave of absence, as the Board may in its absolute discretion determine, shall be deducted from period of service for the purpose of computing the elapsed time in the vesting period, and the minimum vesting period shall be 12 months commencing from the date upon which the grant of Incentive is accepted or deemed to be accepted in accordance with the H Share Restricted Share Scheme, save and except that with respect to Employee Participants, a shorter vesting period may be permitted in the following circumstances at the sole and absolute discretion of the Board:

- (1) grants of “sign-on” or “make-whole” Incentives to new joiners as employment inducement or to replace the share awards, options or benefits so forfeited when leaving their previous employment;
- (2) grants of “make-whole” Incentives to key personnel of such newly acquired, consolidated or fully integrated subsidiary of the Company to replace the share awards, options or benefits forfeited upon the acquisition, consolidation or full integration of such subsidiary;
- (3) grants to Selected Participants whose employment is terminated by resignation or for reasons other than death, disability, or force majeure events;
- (4) grants of Incentives where the timing of which is determined by administrative or compliance requirements not connected with the performance of the Selected Participant in which case the vesting date may be adjusted to take into account the intended Grant Date, if not for such administrative or compliance requirements or such restrictions in relation to a particular grant (as the case may be);
- (5) grants with a mixed or accelerated vesting schedule such as where the Incentives may vest evenly over a period of 12 months;
- (6) grants with performance-based vesting conditions in lieu of time-based vesting criteria;
- (7) grants with a total vesting and retention period of more than 12 months; or
- (8) there being an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, and the Board, at its sole discretion, determines that the vesting date of any Incentives shall be accelerated to an earlier date.

In the event that a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any Incentive, the Board shall, prior to or immediately upon the offer becoming or being declared unconditional, determine in its sole and absolute discretion whether such Incentive shall vest and the period within which it shall vest. In the case where the Board determines, in its sole and absolute discretion, that such Incentive shall vest, it shall notify the Selected Participant, the Trustee and the Company of such determination and the period within which such Incentive shall vest. Subject to the foregoing, the Incentive (to the extent not vested, lapsed or cancelled by the Board) will lapse automatically on the date on which such offer (or, as the case may be, revised offer) closes.

In the event that a privatization or general offer for Shares by way of scheme of arrangement is made to all Shareholders and has been approved by the necessary number of Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or acting in concert with the offeror) at the requisite meetings prior to the vesting of any Incentive, the Board shall, prior to such meetings, determine at its sole and absolute discretion whether such Incentive shall vest and the period within which such Incentive shall vest. If the Board determines that such Incentive shall vest, it shall notify the Selected Participant, the Trustee and of such determination and the period within which such Incentive Shares shall vest. Subject to the foregoing and to the scheme of arrangement becoming effective, the Incentive (to the extent not vested, lapsed or cancelled by the Board) will lapse automatically on the record date for determining entitlements under such scheme of arrangement.

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and the Shareholders and/or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Board shall determine at its sole and absolute discretion whether such Incentive Interests shall vest, and the period when such Incentive Interests shall vest. If the Board determines that such Incentive Interests shall vest, it shall notify the Selected Participant, the Trustee and the Company of such determination and the period within which such Incentive Interests shall vest.

Any Shares to be transferred to a Selected Participant upon the vesting of Incentive Interests granted pursuant to the H Share Restricted Share Scheme shall be subject to all the provisions of the Articles and shall rank *pari passu* in all respects with, and shall be identical and have the same voting, dividend, transfer and other rights (including those rights arising on a winding-up of the Company) as the existing fully paid H Shares in issue on the date on which those H Shares are allotted and issued or transferred pursuant to the vesting of the Incentive Interests.

11. LAPSE OF INCENTIVE SHARES AND RETURNED SHARES

Upon the occurrence of any of the following event (and whether an event is to be regarded as having occurred is subject to the sole determination of the Board or the Scheme Administrator (as the case may be)) in relation to a Selected Participant, no further Incentives shall be granted to such Selected Participant and the Incentives (to the extent unvested) shall lapse forthwith accordingly (which shall become Returned Shares for the purposes of the H Share Restricted Share Scheme) on the date as determined by the Board or the Scheme Administrator (as the case may be):

- (1) the Selected Participant ceases to be an Eligible Participant or found to be an Excluded Participant pursuant to the terms of the H Share Restricted Share Scheme;
- (2) the Selected Participant fails to return duly executed Vesting Documents for the relevant Incentive Shares within the period stipulated in the Vesting Instrument;
- (3) the Board or the Scheme Administrator (as the case may be) determines in its absolute discretion that any condition(s) and/or performance milestones or targets to be duly fulfilled by such Selected Participant as specified in the related Grant Instrument has not been duly fulfilled or has not been waived by the Board or the Scheme Administrator (as the case may be);
- (4) (in respect of H Shares underlying an Incentive which are subject to performance or other vesting condition(s)) the date on which the condition(s) to vesting of the relevant H Shares underlying the Incentive are not capable of being satisfied (and such determination by the Board shall be final and conclusive);
- (5) the Selected Participant (whether intentionally or otherwise) makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Incentive or any interests or benefits pursuant to the Incentives in breach of the Scheme Rules; or
- (6) the Board or the Scheme Administrator (as the case may be) has decided, in its sole and absolute discretion, that the unvested Incentives shall not be vested for the Selected Participant in accordance with the Scheme Rules and the terms and conditions as set out in the Grant Instrument.

Notwithstanding the foregoing, the Board or the Scheme Administrator (as the case may be) may in its sole and absolute discretion decide, in each case, that any Incentive shall not lapse or shall be subject to such conditions or limitations as the Board or the Scheme Administrator (as the case may be) may decide.

The Trustee shall hold the Returned Shares subject to the terms of the Trust for any persons (excluding any Excluded Participants) as the Board or the Scheme Administrator (as the case may be) shall in its absolute discretion at any time determine and select in writing.

For the avoidance of doubt, Incentives lapsed in accordance with the terms of the H Share Restricted Share Scheme shall not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

12. CANCELLATION OF INCENTIVE SHARES

The Board may at any time with the consent of and on such terms as may be agreed with the relevant Selected Participant cancel Incentives previously granted but which have not yet vested. Where the Company cancels unvested Incentives and issues new grants of Incentive Shares to the same Selected Participant, the issue of such new Incentives may only be made with available Incentive Shares to the extent not yet granted (excluding those that are cancelled in accordance with the Scheme Rules) within the Scheme Mandate Limit and such other limits prescribed by the Scheme Rules or under a scheme with available unissued H Shares within its applicable scheme limit.

Notwithstanding the foregoing, the Board or the Scheme Administrator (as the case may be) may in its absolute discretion decide that any Incentive shall not be cancelled subject to such conditions or limitations as the Board or the Scheme Administrator (as the case may be) may decide.

For the avoidance of doubt, Incentives cancelled in accordance with the terms of the H Share Restricted Share Scheme shall be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

13. DISQUALIFICATION OF SELECTED PARTICIPANTS

It is a condition precedent to the vesting of the H Shares in accordance with the terms of the Scheme that the Selected Participant must have been an Eligible Participant at all times subsequent to the date of the grant and at the date of vesting.

If, prior to or on the vesting date, a Selected Participant is found to be an Excluded Participant or is deemed to be no longer an Eligible Participant under the Scheme Rules, such unvested Incentive Shares granted to such Selected Participant will be forfeited immediately and automatically, and such Incentive Shares will not vest on such vesting date but will remain part of the Trust Fund. Such Eligible Participant has no rights or claims against the Company, any other members of the Group, the Board, the Trust or the Trustees or against these or any other Shares or any rights or benefits thereof.

Unless otherwise determined by the Board, the circumstances in which a person is deemed to be no longer an Eligible Participant will include, but not be limited to, the following:

- (1) voluntary resignation, rescission or termination of labor contract, unwillingness to renew labor contract with the Company upon its expiration, termination of labor contract by the Company on its own initiative with the individual, failure to pass the assessment or dismissal/termination of labor contract and leaving the Company for personal reasons without breaching the non-compete agreement or without causing negative impact on the Company;
- (2) dismissal by the Company due to serious damage to the Company's interests, disclosure of the Company's commercial secrets, breach of the labor contract or the Company's rules and regulations, or serious violation of laws and discipline, etc.;
- (3) leaving the Company by voluntary resignation but in breach of the non-compete agreement, leaving the Company directly without the Company's consent and refusal to complete the resignation procedures and work handover procedures, and other acts of resignation that adversely affect the Company;
- (4) in the event of any act of fraud or dishonesty or gross negligence by such person, whether or not such act relates to such person's employment or engagement with any member of the Group, or whether or not it results in such person's employment or engagement being terminated by the relevant member of the Group;
- (5) if such person is convicted of any criminal offense;
- (6) if such person has taken any action which has had or will have a material adverse effect on the reputation or interests of any member of the Group; or
- (7) if such person is convicted of or held liable for any offence under the Securities and Futures Ordinance or other Hong Kong securities laws or regulations or any other applicable laws or regulations in force from time to time or breaches the relevant ordinance, laws and regulations.

Subject to the requirements of vesting period in the Scheme Rules and the conditions in relation to the vesting as imposed by the Board in accordance with the Scheme Rules, in the event that at any time on or before the vesting date, a Selected Participant dies or is legally declared dead, or leaves the Company due to reasons such as major illness, disability leading to loss of working capacity, retirement, or reassignment by the Company that results in the termination of their employment relationship with the Company or its subsidiaries, the vesting of the Selected Participant's rights shall remain unchanged. The individual performance assessment criteria will no longer be considered as a condition for vesting.

The Trustee shall directly or indirectly hold the vested Incentive Interests upon trust to transfer the same to the legal personal representatives or lawful successors of the Selected Participant within (i) two years of the death of the Selected Participant (or such longer period as the Trustee and the Board shall agree from time to time) or (ii) the Trust Period (whichever is shorter), subject to the Trustee receiving (a) the original transfer documents (if any) prescribed by the Trustee and duly signed by such legal personal representatives or lawful successors of the Selected Participant; and (b) client due diligence documents of such legal personal representatives or lawful successors of the Selected Participant required in accordance with the Trustee's client due diligence policy. If such vested Incentive Interests fail to be transferred or would otherwise become *bona vacantia* for any reason, such vested Incentive Interests shall be forfeited and cease to be transferable and the Incentive Interests shall remain part of the Trust Fund.

14. CHANGE OF CONTROL AND REORGANISATION OF CAPITAL STRUCTURE

If during the Term, there occurs an event of change in the capital structure of the Company, such as by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with the applicable laws and the Listing Rules (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company or any of its subsidiaries is a party or in connection with any Relevant Schemes of the Company) whilst any of the Incentive Shares are not yet exercised, the Board may make adjustments accordingly to the following, including:

- (1) the Scheme Mandate Limit;
- (2) the number and/or the nominal value of H Shares underlying any Incentive to the extent unvested; and/or
- (3) the Purchase Price for any Incentive being either unvested or vested (but yet unpaid);

or any combination thereof, provided that:

- (4) any such adjustments made must give each Selected Participants the same proportion of the share capital of the Company, rounded to the nearest whole Share, as that to which he/she was previously entitled;
- (5) notwithstanding the preceding paragraph, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalization issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures;

- (6) but no such adjustments may be made to the extent that any H Share would be issued at less than its nominal value (if any). In respect of any such adjustments, other than any made on a capitalization issue, the Company's auditors or an approved independent financial adviser must confirm to the Directors and certify in writing that the adjustments satisfy the requirements set out under the note to Rule 17.03(13) of the Listing Rules. For avoidance of doubt, the capacity of the Company's auditors or the approved independent financial adviser hereunder is that of experts and not of arbitrators and their certification shall, in absence of manifest error, be final and binding on the Company and the Selected Participants. The costs of the auditors or the approved independent financial adviser shall be borne by the Company;
- (7) no adjustment shall be made to the advantage of the Selected Participants without specific prior approval from the shareholders of the Company;
- (8) any adjustment to be made shall comply with the Listing Rules, and any applicable rules, codes, guidance and/or guidance notes/interpretation of the Listing Rules promulgated by the Stock Exchange from time to time. For the avoidance of doubt, the issue of Shares or other securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring such adjustments; and
- (9) if the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved at general meeting, the maximum number of Shares that may be issued in respect of all relevant options, if any, and/or Incentives and/or awards to be granted under the Relevant Schemes of the Company under the Scheme Mandate Limit as a percentage of the total number of H Shares in issue (excluding Treasury Shares) at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

If there has been any change in the capital structure of the Company as referred to above, the Company shall notify each such Selected Participant (with a copy of the notification to the Trustee) of the adjustment to be made after such change in the capital structure of the Company.

Without prejudice to the above:

- (1) In the event the Company undertakes an open offer of new securities in respect of any H Shares which are held by the Trustee under the H Share Restricted Share Scheme, the Trustee shall not, unless otherwise instructed by the Company, subscribe for any new Shares. In the event of a rights issue, the Trustee shall seek instruction from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

- (2) In the event the Company issues bonus warrants in respect of any H Shares which are held by the Trustee, the Trustee shall not subscribe for any new H Shares by exercising any of the subscription rights attached to the bonus warrants and the Trustee shall seek instruction from the Company on the steps or actions to be taken in relation to the bonus warrants created and granted to it.
- (3) In the event the Company undertakes a scrip dividend scheme, the Trustee shall seek instruction from the Company on whether to elect to receive scrip dividend or cash dividend.
- (4) In the event of other non-cash and non-scrip distribution made by the Company in respect of H Shares so held by the Trustee under the H Share Restricted Share Scheme, the Trustee shall seek instruction from the Company on the steps or actions to be taken.

If notice is duly given by the Company to its Shareholders to convene any meeting or general meeting of the Shareholders for the purpose of considering a resolution for the voluntary winding-up of the Company (other than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company) or an order of winding-up of the Company is made, the Board shall determine at its sole and absolute discretion whether any Incentive Interests shall vest in the Selected Participant and the time at which such Incentive Interests shall vest. If the Board determines that any Incentive Interests shall vest, it shall promptly notify such Selected Participant (with a copy of the notification to the Trustee) and shall use its reasonable endeavors to procure the Trustee to take such action as may be necessary to transfer the legal and beneficial ownership of the Incentive Interests to such Selected Participant and/or a vehicle controlled by him/her (e.g. a trust or private company) for the benefit of the participant and any family members of such participant. For the avoidance of doubt, if the Board determines that such unvested Incentive Interests shall not vest, such Incentive Shares shall lapse with immediate effect.

15. CLAWBACK MECHANISM

Incentives granted under the Scheme is subject to a clawback mechanism, pursuant to which the Board has the sole and absolute authority to provide that any Incentive shall be subject to a clawback in the manner as set forth in detail in the relevant Grant Instrument under, and limited to, the specified circumstances as set forth below:

- (1) the Selected Participant has committed any act of fraud or dishonesty or serious misconduct in connection with his/her employment or engagement by any member of the Group;

- (2) the Selected Participant has engaged in any act or omission to perform any of his/her duties that has had or will have a material adverse effect on the reputation or interests of any member of the Group;
- (3) the Selected Participant having engaged in any act that has had or will have a material adverse effect on the reputation or interests of any member of the Group within the period of two years after the Selected Participant ceases to be an Eligible Participant;
- (4) dismissal by the Company due to serious damage caused by the Selected Participant to the Company's interests, the Selected Participant's disclosure of trade secrets, violation of the employment contract or the Company's regulations, or commitment of serious illegal or disciplinary misconduct;
- (5) the Selected Participant's acting (including inaction) in violation of the non-compete agreement, between him/her and the Company refusal to cooperate with the Company and follow the procedures for resignation and handover and other acts in connection with the breach of non-compete terms or undertakings that adversely affects the Company's operations.

Where any Incentive Shares (or any part thereof) granted to a Selected Participant have already been vested and/or transferred to the Selected Participant at the time when such award is clawed back, the Selected Participant shall return, by the Board's determination at its sole and absolute discretion, either (i) the exact number of vested and clawed back H Share(s) (either by the Selected Participant effecting such transfer of H Shares to the Trustee or by having the Incentive Shares forfeited and cease to be transferable (where such transfer to the Selected Participant has yet to occur)) or (ii) the monetary amount equivalent to the value of the relevant H Share(s) on (a) the date of grant, (b) the vesting date, or (c) the date of such clawback as determined by the Board. For the avoidance of doubt, the relevant Purchase Price paid by the Selected Participant for the vesting of the clawed back Incentive Shares will not be refunded.

Where any Incentive Shares (or any part thereof) granted to a Selected Participant have yet been vested at the time when such award is clawed back, such Incentive Shares (or any part thereof) subject to clawback will lapse on the date as determined by the Board and the relevant Incentive Shares will not vest on the relevant vesting date, and the relevant Incentive Shares so lapsed will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

16. ALTERATION

Subject to the requirements in relation thereto as stipulated in the Scheme Rules, and in compliance any requirement under the Listing Rules and such applicable laws, rules and regulations, the terms of the H Share Restricted Share Scheme may be altered, varied, amended or waived in any respect by the Board at any time.

The H Share Restricted Share Scheme may be amended in any respect by a resolution of the Board provided that any alteration to the terms and conditions of the H Share Restricted Share Scheme that are of a material nature or any alteration to the authority of the Board to alter the terms of the H Share Restricted Share Scheme or any alteration to the specific terms of the H Share Restricted Share Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Selected Participant or proposed Selected Participant must be approved by the Shareholders in Shareholders' general meeting/Shareholders' meeting (with the Selected Participant or proposed Selected Participant and their associates abstaining from voting). The Board's determination as to whether any proposed alteration to the terms and conditions of the H Share Restricted Share Scheme is material shall be conclusive.

Any change to the terms of Incentive granted to a Selected Participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of such Incentive under the H Share Restricted Share Scheme was approved by the Board, the remuneration and appraisal committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be) except where the alterations take effect automatically under the existing terms of the H Share Restricted Share Scheme.

The provisions in the H Share Restricted Share Scheme may be amended by the Board to reflect any amendments on the relevant Listing Rules made by the Stock Exchange after the Adoption Date of the H Share Restricted Share Scheme to comply with the relevant provisions of the Listing Rules which the H Share Restricted Share Scheme has been drafted to reflect the position as at the Adoption Date of the Scheme.

Written notice of all details relating to change in the terms of the H Share Restricted Share Scheme during the lifetime of the H Share Restricted Share Scheme shall be given to all Selected Participants and the Trustee immediately upon the changes taking effect. The revised terms of the H Share Restricted Share Scheme shall continue to comply with the relevant provisions of Chapter 17 of the Listing Rules.

17. TERMINATION

The H Share Restricted Share Scheme shall be terminated on the earlier of: (i) the date of the tenth anniversary of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Participants.

Upon termination of the H Share Restricted Share Scheme,

- (1) no further grant of Incentive Shares shall be made under the H Share Restricted Share Scheme;

- (2) all the Incentive Shares of the Selected Participants granted under the H Share Restricted Share Scheme shall continue to be held by the Trustee and become vested in the Selected Participants according to the conditions of the Incentive, subject to the receipt by the Trustee of the required documents prescribed by the Trustee;
- (3) Unless otherwise determined by the Board, upon the expiration of the Trust Period, all Shares (excluding any Incentive Shares subject to vesting on the Selected Participants) remaining in the trust fund shall be sold by the Trustee within 28 Business Days (on which day the trading of the Shares has not been suspended) (or such longer period as the Trustee and the Board may otherwise determine);
- (4) all net proceeds of sale referred to in the preceding paragraph (3) under section “Termination” in this Scheme Rules and such other funds and properties remaining in the trust fund managed by the Trustee (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith. For the avoidance of doubt, the Trustee may not transfer any Shares to the Company nor may the Company otherwise hold any Shares whatsoever (other than its interest in the proceeds of sale of such Shares pursuant to the preceding paragraph (3) under section “Termination” in this Scheme Rules).

I. APPLICATION FOR INTEGRATED CREDIT FACILITIES FROM BANKS

In order to ensure the liquidity of the Company and its related subsidiaries JL MAG (Baotou) Technology Co., Ltd. (hereinafter referred to as “**JL MAG Baotou Technology**”), JL MAG (Ningbo) Technology Co., Ltd. (hereinafter referred to as “**JL MAG Ningbo Technology**”), Jiangxi Jincheng Permanent Magnet New Materials Co., Ltd. (hereinafter referred to as “**Jincheng Permanent Magnet**”), JL MAG Bonded Magnet Co., Ltd. (hereinafter referred to as “**JL MAG Bonded Magnet**”), support the Company’s strategic development plan, the Company and its related subsidiaries intend to apply for integrated credit facilities from banks, of which the Company intends to apply for an integrated credit facility of not more than RMB5,590 million from banks; JL MAG Baotou Technology intends to apply for an integrated credit facility of not more than RMB3,000 million from banks; JL MAG Ningbo Technology intends to apply for an integrated credit facility of not more than RMB1,200 million from banks; Jincheng Permanent Magnet intends to apply for an integrated credit facility of not more than RMB700 million from banks; and JL MAG Bonded Magnet intends to apply for an integrated credit facility of not more than RMB10 million from banks, for a period of 12 months from the date of the approval of this resolution at the 2024 AGM.

Within the above credit facilities, the Company and its related subsidiaries will distribute it according to the actual situation of applying for integrated credit facilities from the banks. The integrated credit facilities are used for various loans and trade financing businesses such as working capital loans, project loans, bank acceptance bills, import and export documentary bills, bank guarantees, bank factoring, letters of credit. The specific credit line, term, interest rate, guarantee method and other conditions are subject to the final approval of the relevant financial institutions.

II. PROVISION OF GUARANTEE FOR SUBSIDIARIES**(1) Overview of the guarantee**

In order to meet the business development needs of subsidiaries and ensure their operating capital requirements, while strengthening the day-to-day management of the Company’s external guarantees and enhancing the planning and reasonableness of the Company’s external guarantees, the Company plans to provide guarantee for JL MAG Baotou Technology with a guarantee quota not exceeding RMB2,000 million. It plans to provide guarantee for JL MAG Ningbo Technology with a guarantee quota not exceeding RMB1,200 million; it plans to provide guarantee for Jincheng Permanent Magnet with a guarantee quota not exceeding RMB700 million; and it plans to provide guarantee for JL MAG Bonded Magnet with a guarantee quota not exceeding RMB10 million. Guarantee methods include but are not limited to joint liability guarantees, provision of equity interests in subsidiaries as a pledge guarantee, pledges of other assets and other financial guarantee methods. The term shall fall within 12 months from the date of approval of this resolution at the 2024 AGM. It is also proposed to the general meeting that the

management of the Company be authorized to implement the relevant matters within the limit, and the chairman of the Board and any person(s) so authorized by him be authorized to sign relevant agreements and documents.

(2) Estimation of the guarantee facilities

Guarantor	Guaranteed parties	Shareholding of guarantor	Latest gearing ratio of the guaranteed parties	Remaining balance of guarantee to date (RMB'0,000)	Guarantee facilities newly added (RMB'0,000)	The proportion of guarantee facilities newly added to the latest net assets of the Company	Whether it is a connected guarantee
The Company	JL MAG Baotou Technology	100%	32.04%	40,000	200,000	28.51%	No
The Company	JL MAG Ningbo Technology	100%	35.39%	70,000	120,000	17.10%	No
The Company	Jincheng Permanent Magnet	100%	41.20%	50,000	70,000	9.98%	No
The Company	JL MAG Bonded Magnet	60%	51.57%	0	1,000	0.14%	No
Total				<u>160,000</u>	<u>391,000</u>	<u>55.73%</u>	-

(3) Main contents of the guarantee agreement

As for the proposed guarantee, the relevant guarantee agreement has not been signed, and its main content will be determined through negotiation between the Company and its subsidiaries and the bank, and the ultimate actual total guarantee will not exceed the guarantee quota granted.

III. AUTHORIZATION SUBMITTED BY THE BOARD TO THE AGM

The Board proposes to the AGM to authorize the chairman of the Board or any person(s) so authorized by him to examine, approve and execute all documents to the extent of the above credit and guarantee facilities on behalf of the Company, including but not limited to contracts, agreements, vouchers and other legal documents in connection with credit, loan, mortgage, guarantee, account opening and account cancellation, etc. The authorization and guarantee shall be granted for a period of 12 months from the date of approval of this resolution at the 2024 AGM.

To protect the rights and interests of the Company and its Directors, Supervisors and Senior Management, promote the full exercise of powers and performance of duties by relevant responsible persons, and reduce the operational risks of the Company, the Company intends to purchase liability insurance for the Company, Directors, Supervisors and Senior Management in accordance with relevant provisions of the Guidelines for Governance of Listed Companies of the CSRC. The specific plan of the liability insurance is as follows:

1. **Policyholder:** JL MAG RARE-EARTH CO., LTD.
2. **Insured party:** The Company and Directors, Supervisors, Senior Management, etc.
3. **Indemnity limit for liability:** Not exceeding RMB100 million (subject to the amount determined through negotiation with the insurance company)
4. **Total insurance premium:** Not exceeding RMB350,000 (subject to the final quotation and approval of the insurance company)
5. **Insurance period:** 1 year

The Board proposes to the Shareholders' general meeting to authorize the management of the Company to handle matters in relation to the purchase of liability insurance for the Company, all Directors, Supervisors and Senior Management within the above scope of authorization (including, but not limited to, the determination of other relevant responsible persons, determination of the insurance company, determination of the insurance amount, premiums and other insurance terms, selection and engagement of insurance brokerage companies or other intermediaries, execution of relevant legal documents and handling of other insurance related matters, etc.), and matters in relation to the renewal or reinsurance upon or before the expiry of the above liability insurance contract in the future.

To meet the Company's needs for potential strategic deployment and project investments, etc., the Board of the Company proposes to the Shareholders' general meeting to authorize the Board to decide to issue Shares to specific participants with a total financing amount of not more than RMB300 million and not more than 20% of the net assets as at the end of the latest year according to relevant provisions of the Administrative Measures for Securities Issuance and Registration of Listed Companies (hereinafter referred to as the "**Registration Administrative Measures**"). The authorization period is from the date of approval at the 2024 AGM until the date of convening of the 2025 annual general meeting. This authorization includes the following:

(1) TYPE AND QUANTITY OF SECURITIES TO BE ISSUED

To issue RMB ordinary shares (A Shares) listed in China to specific participants with a total financing amount of not more than RMB300 million and not more than 20% of the net assets as at the end of the latest year. The number of Shares to be issued is determined by dividing the total amount of proceeds by the issue price and shall not exceed 20% of the number of issued A Shares (excluding treasury A Shares) of the Company prior to the issuance.

(2) ISSUANCE METHOD, TARGET SUBSCRIBERS AND ARRANGEMENT OF PLACEMENT TO THE ORIGINAL SHAREHOLDERS

The issuance will be conducted by the way of issuance to specific participants under simplified procedures. The target subscribers shall be not more than 35 specific participants such as legal persons, natural persons or other legal investment organizations that comply with the requirements of the regulatory authorities. The final target subscribers will be determined through negotiation by and between the Board of the Company and the sponsor (lead underwriter) with the authority of the general meeting, according to the subscription quotation.

(3) PRICING METHOD OR PRICE RANGE

- (1) The issue price shall not be lower than 80% of the average share price of the Company in the 20 trading days prior to the pricing benchmark date. In addition, the issue price will comply with Rule 13.36(5) of the Listing Rules;
- (2) Shares issued to specific participants shall not be transferred within six months from the completion of the issuance. If target subscribers fall under the circumstances specified in the second paragraph of Article 57 of the Registration Administrative Measures, the Shares subscribed by them shall not be transferred within 18 months from the completion of the issuance. Shares derived by target subscribers issued by the Company to specific participants from dividend distribution, capitalization issue and by other forms shall also comply with the lock-up arrangement above.

Authorization to the Board to handle matters in relation to non-public issuance of Shares would not result in a change in control of the Company.

(4) USE OF RAISED FUNDS

The use of funds raised from the non-public issuance of Shares shall comply with the following provisions:

- (1) Compliance with the national industrial policy and relevant laws and administrative regulations on environmental protection and land management;
- (2) The funds raised shall not be used for holding financial investments, and shall not be directly or indirectly invested in companies whose main business is the trading of marketable securities;
- (3) After the implementation of the fundraising project, there will be no new horizontal competition or obviously unfair related party transaction with the controlling shareholders, actual controllers and other enterprises controlled by them that will cause significant adverse effects, or serious impact on the independence of the Company's production and operation.

(5) VALIDITY PERIOD OF THE RESOLUTION

From the date of approval at the 2024 AGM until the date of convening of the 2025 annual general meeting.

(6) AUTHORIZATION TO THE BOARD OF DIRECTORS TO HANDLE THE SPECIFIC MATTERS IN RELATION TO THE OFFERING

The Board is authorized to handle all matters in relation to the small-scale rapid financing within the scope of this resolution, the Registration Administrative Measures and other laws, regulations and normative documents, including but not limited to:

- (1) to handle the registration of the small-scale rapid financing, including the formulation, revision, signing and registration of the relevant registration documents and other legal documents;
- (2) to the extent permitted by laws, regulations, relevant regulations of the CSRC and the Articles of Association and based on the Company's actual situation, to formulate, adjust and implement the small-scale rapid financing plan, including but not limited to the determination of the amount of funds raised, the issue price, the number of Shares to be issued, the target subscribers and all other matters in relation to the issue plan, as well as the timing of the small-scale rapid financing in accordance with the requirements of the competent authorities;

- (3) to formulate, revise and submit the small-scale rapid financing plan and the application materials for the small-scale rapid listing, go through relevant procedures and implement other procedures related to the issuance and listing of Shares, such as restrictions on sales, according to the requirements of relevant government departments and regulatory agencies, and handle information disclosure matters in relation to the small-scale rapid financing in accordance with regulatory requirements;
- (4) to sign, revise, supplement, complete, submit and execute all agreements, contracts and documents related to the small-scale rapid financing (including but not limited to sponsorship and underwriting agreements, agreements related to funds raised, subscription agreements signed with investors, and announcements and other disclosure documents);
- (5) to adjust the specific arrangements for the fundraising investment project within the scope of the resolution of the general meeting according to the requirements of the relevant competent authorities and the actual situation of the securities market;
- (6) to engage intermediaries such as sponsors (lead underwriters), and deal with other matters related to this;
- (7) upon completion of the small-scale rapid financing, to revise the corresponding articles of the Articles of Association according to the results of the small-scale rapid financing, and handle the change in business registration, the registration and custody of the new shares and other relevant matters with the administration for industry and commerce and other relevant departments;
- (8) in the event that the relevant laws and regulations and regulatory authorities impose new provisions and requirements regarding compensating current returns by refinancing, to further analyze, study and demonstrate the effect of the small-scale rapid financing on the current financial indicators and current return for shareholders of the Company, formulate and revise relevant supplementary measures and policies, and handle all other relevant matters according to relevant laws and regulations and the requirements of the regulatory authorities at that time;
- (9) in case of occurrence of force majeure events or other circumstances where implementation of the small-scale rapid financing would become difficult, or it is practicable but would bring adverse impacts on the Company, or when policies governing the small-scale rapid financing change, to decide to postpone the implementation of the small-scale rapid financing plan at its discretion, or continue to handle matters in relation to the small-scale rapid financing in accordance with the new policies regarding the small-scale rapid financing;

- (10) to adjust the maximum number of Shares to be issued in the event that the change in share capital of the Company as a result of bonus issue, capitalization of capital reserves or other reasons prior to the issuance;
- (11) to handle other matters in relation to the small-scale rapid financing.

In order to meet the Company's needs of potential strategic deployment or project investment, optimize the Company's shareholder structure and replenish its daily working capital, and in view of the operations of the Company, the Board proposes to seek Shareholders' approval at the AGM to authorize the Board to re-delegate the authority to the chairman of the Board and any person(s) so authorized by him to determine to individually or jointly allot, issue and deal with Shares or securities convertible into such shares, options, warrants or similar rights to subscribe for any A Shares and/or H Shares, as the case may be, not exceeding 20% of the total number of A Shares in issue (excluding treasury A Shares) and/or 20% of the total number of H Shares in issue (excluding Treasury Shares, if any) as at the date on which the resolution in relation to the grant of the general mandate to issue additional A Shares and/or H Shares is considered and approved at the AGM (hereinafter referred to as the "**Issue Mandate**"). According to the requirement of relevant laws and regulations of the PRC, notwithstanding the grant of a general mandate, the issuance of A Shares is subject to the approval by Shareholders at general meeting, with the particulars of the specific authorization being as follows:

- (I) To generally and unconditionally authorize the Board to re-delegate the chairman of the Board and any person(s) so authorized by him to determine to individually or jointly allot, issue and deal with the A Shares and/or H Shares or securities convertible into such shares, options, warrants or similar rights to subscribe for any A Shares and/or H Shares of the Company (hereinafter referred to as "**Similar Rights**"), and to determine the terms and conditions for the allotment, issuance and disposal of new shares or Similar Rights, including but not limited to the following terms:
 - 1. class and number of the new Shares to be issued;
 - 2. pricing mechanism and/or issue price of the new Shares (including price range);
 - 3. the starting and closing dates of such issue;
 - 4. class and number of the new Shares to be issued to existing shareholders; and/or
 - 5. the making or granting of offers, agreements, options, convertible rights or other relevant rights which might require the exercise of such powers.
- (II) The number of the A Shares or H Shares (excluding the Shares issued by way of the conversion of public reserve into share capital) to be individually or jointly allotted, issued and dealt with (whether pursuant to a share option or otherwise) as determined by the Board or the chairman of the Board and any person(s) so authorized by him in accordance with the Issue Mandate referred to in the first paragraph above shall not exceed 20% of the total number of the A Shares in issue (excluding treasury A Shares) or H Shares in issue (excluding Treasury Shares) at the date of passing of the special resolution in respect of the grant of such Issue Mandate.

- (III) Where the Board or the chairman of the Board and any person(s) so authorized by him have, during the effective period of the mandate referred to in the fifth paragraph herein, determined to allot, issue and deal with the A Shares and/or H Shares or Similar Rights, and the Company also has, during the effective period of the Issue Mandate, obtained the relevant approval, permission from, or registration (if applicable) with the regulatory authorities, the Board or the chairman of the Board and any person(s) so authorized by him may, during the effective period of such approval, permission or registration, complete the relevant allotment, issuance and disposal and other matters.
- (IV) To authorize the Board or the chairman of the Board and any person(s) so authorized by him to obtain approvals from all relevant government departments and/or regulatory authorities (if applicable) in accordance with the applicable laws (including but not limited to the PRC Company Law, the Listing Rules and the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange) to exercise the Issue Mandate.
- (V) The effective period of the Issue Mandate shall commence from the date of the 2024 AGM to the earliest of the following three dates:
1. twelve months from the date of passing of the special resolution in respect of the grant of such Issue Mandate at the Company's 2024 AGM;
 2. the conclusion of the Company's 2025 annual general meeting; or
 3. the date on which the Issue Mandate set out in the relevant special resolution is revoked or varied by way of special resolution at any general meeting of the Company.
- (VI) To authorize the Board or the chairman of the Board and any person(s) so authorized by him to approve, execute and do or procure to execute all such documents, deeds and do all such things as they may consider related to the allotment, issuance and disposal of any new Shares under the above-mentioned Issue Mandate, handle the necessary procedures and take other necessary actions.
- (VII) To authorize the Board or the chairman of the Board and any person(s) so authorized by him, after the completion of allocation and issuance of the new Shares, to increase the registered capital of the Company and make appropriate and necessary amendments to the Articles of Association in accordance with the manner, type and number of the allotment and issuance of new Shares of the Company and the actual shareholding structure of the Company upon completion of the allotment and issuance of new Shares.

In order to meet the needs of the Company's business development, reduce financing costs, and seize favorable market opportunities in a timely manner, in accordance with the Company Law and other relevant laws and regulations, the listing rules of the relevant stock exchanges where the Company's shares are listed, and the Articles of Association of the Company, the Board intends to propose to the Shareholders at the AGM to generally and unconditionally authorize the Board (and for the Board to sub-delegate the chairman of the Board and any person(s) so authorized by him) to determine and implement specific matters regarding the issuance of debt financing instruments within the quota as approved by the Shareholders at the AGM.

I. PRINCIPAL TERMS FOR ISSUANCE OF THE DEBT FINANCING INSTRUMENTS

- (1) Categories of the debt financing instruments: The relevant debt financing instruments include, but are not limited to, short-term debentures, super short-term debentures, medium-term notes, private placement debt financing instruments, enterprise bonds, corporate bonds, A Share or H Share convertible bonds, offshore RMB bonds and foreign currency bonds, perpetual bonds and other domestic and overseas debt financing instruments denominated in RMB or foreign currency permitted by the competent regulatory authority.
- (2) Size of issuance: The size of issuance of domestic and overseas debt financing instruments totaling not more than RMB2 billion (or an equivalent amount in foreign currency) (calculated based on the aggregate balance outstanding upon the issuance and, in the case of an instrument denominated in a foreign currency, based on the median rate of the exchange rates published by the People's Bank of China on the date of the issuance) is authorized to be issued either one-off or in tranches within the validity period of such authorization.
- (3) Currency of issuance: The currency of issuance of debt financing instruments may be RMB or foreign currency based on the review and approval results of the issuance of debt financing instruments and the domestic and overseas market conditions of debt financing instruments at the time of such issuance.
- (4) Term and interest rate: The maximum term shall be no more than 15 years, with a single term or hybrid type of multiple terms. Domestic debt financing instruments with an indefinite term will not be subject to the above time limit. The specific term, the size of issuance of each term and type of debt financing instruments and their interest rates shall be determined by the Board or the chairman of the Board and any person(s) so authorized by him in accordance with the relevant regulations and the prevailing market conditions.

- (5) Issuer: The Company or its domestic or overseas wholly-owned subsidiary, or special-purpose vehicle established by the Company. If a domestic or overseas wholly-owned subsidiary or special-purpose vehicle is the issuer of debt financing instruments, the Company shall provide guarantees (including those provided by the issuer of debt financing instruments itself and/or by the Company) for the subsidiary or special-purpose vehicle within the quota for issuance of its debt financing instruments, enter into a keep-well agreement or adopt a third-party credit enhancement method for such issuance.
- (6) Issuance price: The specific issuance price shall be determined by the Board or the chairman of the Board and any person(s) so authorized by him in accordance with relevant regulations and market conditions.
- (7) Use of proceeds: It is expected that, after deducting the issuance expenses, the proceeds raised from the issuance of debt financing instruments are to be used for purposes including meeting the needs of daily operations, repaying loans, replenishing working capital and/or investment, acquisition. The specific use of proceeds shall be determined by the Board or the chairman of the Board and any person(s) so authorized by him in accordance with the capital needs of the Company from time to time.
- (8) Method of issuance: It shall be determined based on the approval process of debt financing instruments, and the domestic and overseas market conditions of debt financing instruments at the time of such issuance.
- (9) In the event of the issuance of A-share or H-share convertible debentures, the new A-share or H-share shares so converted may be issued pursuant to the relevant general mandate considered and approved at the 2024 AGM upon application for conversion by the holders of the convertible debentures.
- (10) The debt financing instruments to be issued are proposed to be listed on the Inter-bank Bond Market, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange, or other domestic or foreign exchanges.

II. AUTHORIZATION FOR ISSUANCE OF DEBT FINANCING INSTRUMENTS

- (1) It is proposed that the Shareholders at the general meeting to generally and unconditionally authorize the Board (and for the Board to sub-delegate the chairman of the Board and any person(s) so authorized by him) to determine in their absolute discretion, and deal with all matters in respect of the issuance of debt financing instruments in accordance with the Company's needs from time to time as well as the market conditions, including but not limited to:
- (1) to determine and implement the specific proposal and terms of the issuance of debt financing instruments, including but not limited to the establishment and determination of the appropriate issuer, the type of the debt financing instruments to be issued, the method of issuance, currency, the nominal value of debt financing instruments, issue price, size of issuance, interest rate or its determination mechanism, target subscribers, markets for issuance, timing of issuance, term of issuance, issuance in instalments and number of tranches (if applicable), sale-back clause and redemption clause (if applicable), option for raising the coupon rate (if applicable), rating arrangement, guarantees (if applicable), principal and interest repayment period, conversion price, use of proceeds, specific placing arrangement, underwriting arrangement, debt repayment guarantee and all matters in relation to the issuance of debt financing instruments.
- (2) to carry out all necessary and ancillary actions and procedures in relation to the issuance of debt financing instruments, including but not limited to, engaging intermediary institutions, applying for and handling all approval, registration and filing procedures with the relevant government departments and/or regulatory authorities in connection with the issuance of debt financing instruments on behalf of the Company, executing, revising and implementing all necessary legal documents relating to the issuance of debt financing instruments, selecting trustee(s) for the issuance of debt financing instruments, formulating the rules for meetings of the holders of bonds, handling any information disclosure matters related to debt financing instruments in accordance with the applicable laws, regulations and requirements from regulatory authorities, and handling other matters in connection with the issuance and trading of debt financing instruments.

- (3) in the event of changes in regulatory policies or market conditions, except for the matters which must be voted on at the general meeting of the Company in accordance with relevant laws, regulations and the Articles of Association, subject to the scope of the authorization by the Shareholders at the general meeting, to adjust relevant matters such as the specific plan for issuing debt financing instruments in accordance with the opinion of the regulatory authorities or in response to changes in market conditions, or to determine whether or not to continue the work for such issuance in accordance with actual conditions.
- (4) to determine and handle all relevant matters in connection with the listing of debt financing instruments to be issued on the Inter-bank Bond Market, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange or other domestic or foreign exchanges based on market conditions.
- (5) to handle any other specific matters related to the issuance of debt financing instruments and execute all relevant or necessary documents.
- (2) To agree that at the time of the approval and authorization of the above matters by the Shareholders at the general meeting, the Board be further authorized to delegate the chairman of the Board and any person(s) so authorized by him to implement the issuance of debt financing instruments in accordance with the Company's needs and other market conditions.
- (3) To authorize the chairman of the Board and any person(s) so authorized by him to approve, execute and publish relevant documents, announcements and circulars and make relevant information disclosure in accordance with the applicable rules and regulations in the place where the Shares are listed.

III. THE VALIDITY PERIOD OF AUTHORIZATION FOR ISSUANCE OF DEBT FINANCING INSTRUMENTS

The validity period of authorization for issuance of debt financing instruments shall be effective from the date of approval at the 2024 AGM until the date of the 2025 annual general meeting of the Company.

If the Board or the chairman of the Board and any person(s) so authorized by him have resolved to issue the debt financing instruments within the validity period of the authorization and the Company has also obtained the approval, permission or registration (if applicable) for such issuance from the regulatory authorities within the validity period of the authorization, the Board or the chairman of the Board and any person(s) so authorized by him may complete the issuance of debt financing instruments within the validity period as confirmed by such approval, permission or registration.

To maintain the stability of the Company's operation, development and stock price, safeguard and protect the long-term interests of its investors, promote the maximisation of the Shareholders' values, and to further strengthen and improve the long-term incentive and restraint mechanism of the Company, ensuring the sustainable and healthy development of the Company's operations. A special resolution will be proposed at the AGM in relation to the grant of the general mandate for the Board to exercise the power of the Company to repurchase A Shares and/or H Shares. Particulars of the Repurchase Mandates are as follows:

Shareholders' approval by way of special resolution to be sought at the AGM is for the Board to (i) repurchase, during the Relevant Period (as defined below), an aggregate number of A Shares not exceeding 10% of the total number of A Shares in issue (excluding treasury A Shares) and an aggregate number of H Shares not exceeding 10% of the total number of H Shares in issue (excluding Treasury Shares, if any), on which the resolution in relation to the grant of the Repurchase Mandates is considered and approved at the AGM, and (ii) be granted with the authorization to make appropriate and necessary amendments to the relevant content of the Articles of Association, execute necessary documents and make other essential or necessary arrangements for such repurchase in compliance with the requirements under the relevant laws and regulations, and that of the relevant regulatory authorities or competent authorities.

After the above-mentioned general mandate to repurchase A Shares and/or H Shares is approved by the Shareholders at the AGM, the Board may determine the terms and conditions for the repurchase of Shares, including but not limited to the following: (1) purpose of the proposed repurchase of Shares; (2) the class and number of Shares to be repurchased; (3) time, price and duration of repurchase of Shares; (4) to perform the approval, filing and information disclosure in relation to the repurchase of Shares.

The Repurchase Mandates shall remain valid during the Relevant Period. The "Relevant Period" refers to the period from the date of passing of the special resolution in respect of the grant of the Repurchase Mandates at the AGM until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of the Company;
- (2) the expiration of 12 months after the passing of the special resolution in respect of the grant of the Repurchase Mandates at the AGM; or
- (3) the date on which the Repurchase Mandates set out in the relevant special resolution is revoked or varied by way of special resolution at any general meeting of the Company.

The general mandate to repurchase Shares will remain in effect from the date of approval at the general meeting of the Company by special resolutions. In exercising the general mandate to repurchase Shares, the Board of the Company shall:

- (1) comply with the relevant requirements of the Company Law of the People's Republic of China, the CSRC and the Hong Kong Stock Exchange (as amended from time to time);
- (2) obtain the approval from the CSRC and other relevant PRC government authorities (if any).

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) of the Hong Kong Listing Rules (as modified by Rules 19A.24 and 19A.25 of the Hong Kong Listing Rules), to provide the requisite information the Shareholders to make an informed decision on whether to vote for or against the special resolution to approve the grant of the A Share Repurchase Mandate and H Share Repurchase Mandate.

1. REASONS FOR REPURCHASE OF SHARES

To enable the Board to repurchase Shares within a short period of time in appropriate circumstances to seek the best interests of the Company and its shareholders and to protect the interests of investors, it is proposed that the A Share Repurchase Mandate and H Share Repurchase Mandate be granted to the Board to repurchase Shares (including both A Shares and/or H Shares). Such repurchases will, depending on market conditions, be made when the Directors believe that such repurchases will benefit the Company and its shareholders as a whole.

2. NUMBER OF SHARES PROPOSED TO BE REPURCHASED

As at the Latest Practicable Date, the total number of issued Shares of the Company was 1,372,131,923 Shares, comprising 1,144,491,123 A Shares and 227,640,800 H Shares, including 8,015,784 treasury A Shares. Subject to the passing of the resolutions granting the A Share Repurchase Mandate and the H Share Repurchase Mandate and on the basis that no further H Shares or A Shares are issued or repurchased prior to the 2024 AGM, if repurchased in full, the number of Shares that may be repurchased shall not exceed 136,411,613 Shares, of which the number of A Shares that may be repurchased shall not exceed 113,647,533 Shares and the number of H Shares that may be repurchased shall not exceed 22,764,080 Shares, representing approximately 10% of the A Shares and approximately 10% of the H Shares in issue (excluding treasury A Shares and Treasury Shares, if any) as at the date of the notice of the 2024 AGM, respectively. The specific number of A Shares and/or H Shares to be repurchased shall be subject to the actual number of A Shares and/or H Shares to be repurchased at the expiry of the proposed repurchase period.

3. SOURCE OF FUNDING

In repurchasing A Shares and/or H Shares, the Company intends to apply funds from the Company's internal resources legally available for such purpose in accordance with the Articles of Association, the applicable laws and regulations of the PRC and the listing rules of the relevant stock exchange where the Company's shares are listed.

4. EFFECT ON WORKING CAPITAL

As compared with the financial position of the Company as at December 31, 2024 (being the date to which the latest audited accounts of the Company were made up), the Directors consider that there would not be a material adverse impact on the working capital or the gearing position of the Company in the event that the A Share Repurchase Mandate and the H Share Repurchase Mandate were to be exercised in full during the proposed repurchase period.

5. SHARE PRICES

The highest and lowest prices at which the A Shares have traded on the SZSE and the H Shares on the Stock Exchange during the previous 12 months preceding and up to the Latest Practicable Date were as follows:

Year	Month	A Shares		H Shares	
		Highest <i>RMB</i>	Lowest <i>RMB</i>	Highest <i>HKD</i>	Lowest <i>HKD</i>
2024	April	17.58	14.16	7.130	6.320
	May	15.68	13.94	7.760	6.620
	June	14.50	12.43	7.040	6.150
	July	14.08	11.35	6.430	5.400
	August	12.27	10.03	5.840	5.120
	September	14.58	9.99	7.200	5.020
	October	18.34	12.98	9.410	6.280
	November	26.50	17.53	12.100	7.600
	December	22.97	17.87	10.640	7.750
2025	January	21.44	16.92	9.800	7.460
	February	23.70	19.69	17.040	8.860
	March	22.71	19.35	15.640	12.300
	April (up to and including the Latest Practicable Date)	22.56	18.00	15.980	10.620

6. EFFECT OF THE TAKEOVERS CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase A Shares and/or H Shares pursuant to the A Share Repurchase Mandate and/or H Share Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's or Shareholders' interest, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code.

As at the Latest Practicable Date and to the best knowledge of the Directors, Mr. Cai Baogui (蔡報貴), Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司), Rui De (Hong Kong) Limited (香港銳德有限公司), Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥)), and Ganzhou Xinsheng Investment Management Center (limited partnership) (贛州欣盛投資管理中心(有限合夥)) (being the controlling shareholders of the Company and persons acting in concert) (collectively, the “**Concert Group**”) controlled or were entitled to exercise control over the voting rights in respect of 441,971,169 Shares (comprising 421,799,769 A Shares and 20,171,400 H Shares) of the Company, representing approximately 32.40% of the issued share capital of the Company (excluding treasury A Shares and Treasury Shares, if any). In the event that the Directors exercise in full the proposed Repurchase Mandates to repurchase Shares, the shareholding of the Concert Group will be increased to approximately 36.00% of the issued share capital of the Company (excluding treasury A Shares and Treasury Shares, if any). Accordingly, the shareholding of the Concert Group (when taken together) in the Company would exceed the 2 per cent creeper and thus become obliged to make a general offer in accordance with Rule 26 and Rule 32 of the Takeovers Code as a result of such increase. The Directors confirmed that they have no present intention to repurchase any Shares under the Repurchase Mandates to such an extent which will result in an obligation for the Concert Group to make a mandatory general offer under Rule 26 and 32 of the Takeovers Code, if the Repurchase Mandates are approved by the Shareholders at the AGM. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code and/or any similar applicable laws and regulations, as far as the Directors are aware, as a result of any repurchase of Shares pursuant to the proposed Repurchase Mandates.

Moreover, the Directors will not make any repurchase of Shares on the Stock Exchange if such repurchase of Shares would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

7. STATUS OF REPURCHASED A SHARES AND H SHARES

Pursuant to the Rules for Repurchase of Shares by Listed Companies (《上市公司股份回購規則》) of the CSRC, with reference to the details in relation to the general mandate to repurchase Shares by the Company, the Company may repurchase A Shares in order to safeguard its value and Shareholders’ rights and interests, or for use in employee stock ownership plans or as equity incentives. The Company has to announce a share repurchase plan which shall include particulars such as price range, purpose and size of the repurchase before making specific repurchase in the A share market, and such repurchased A Shares shall be dealt with according to the disclosed purposes within three years. In respect of the repurchased A Shares that are not being dealt with according to the disclosed purposes, they shall be cancelled before the expiration of the three years. If the purpose of repurchasing Shares is to safeguard its value and Shareholders’ rights and interests, the repurchased A Shares can also be sold through centralized bidding after fulfilling the pre-disclosure obligations.

With effect from June 11, 2024, the Hong Kong Listing Rules have been amended to remove the requirement to cancel repurchased H shares and to adopt a framework to allow the repurchased H shares to be held in treasury and to govern the resale of the Treasury Shares. As at the Latest Practicable Date, the Company held 8,015,784 treasury A Shares but had no Treasury Shares. Pursuant to the amended Hong Kong Listing Rules, the Company may cancel the H Shares repurchased under the H Share Repurchase Mandate or hold them as Treasury Shares subject to market conditions and the capital management needs of the Group at the relevant time of the repurchases of Shares. For any Treasury Shares deposited with CCASS pending resale on the Hong Kong Stock Exchange only, the Company shall (i) procure its broker not to give any instructions to Hong Kong Securities Clearing Company Limited to vote at general meetings for the Treasury Shares deposited with CCASS, and (ii) in the case of dividends or distributions, the Company shall withdraw the Treasury Shares from CCASS, and either re-register them in its own name as Treasury Shares or cancel them, in each case before the record date for the dividends or distributions, or adopt any other measures to ensure that the Company would not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws if those Shares were registered in the Company's own name as Treasury Shares.

8. SECURITIES REPURCHASE MADE BY THE COMPANY

During the six months immediately preceding the Latest Practicable Date, the Company had not purchased any A Shares and/or H Shares (whether on the Hong Kong Stock Exchange or otherwise).

9. GENERAL INFORMATION

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined under the Hong Kong Listing Rules) have any present intention to sell any Shares to the Company in the event that the proposed grant of the A Share Repurchase Mandate and/or the proposed grant of the H Share Repurchase Mandate to repurchase A Shares and/or H Shares are approved by the Shareholders.

The Company has not been notified by any core connected persons (as defined under the Hong Kong Listing Rules) of the Company that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the proposed grant of the A Share Repurchase Mandate and/or the proposed grant of the H Share Repurchase Mandate to repurchase A Shares and/or H Shares are approved by the Shareholders.

The Company may cancel the shares bought back under the H Share Repurchase Mandate, and/or hold them as Treasury Shares subject to, for example, market conditions, purposes of repurchase and its capital management needs at the relevant time of the repurchase.

The Directors will exercise the power of the Company to repurchase Shares pursuant to the proposed A Share Repurchase Mandate and/or the H Share Repurchase Mandate to repurchase A Shares and/or H Shares in accordance with the Hong Kong Listing Rules and the applicable laws and regulations of the PRC.

Neither this explanatory statement nor the proposed share repurchase has any unusual features.

NOTICE OF THE 2024 ANNUAL GENERAL MEETING

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



JL MAG RARE-EARTH CO., LTD.

江西金力永磁科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 06680)

NOTICE OF THE 2024 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2024 annual general meeting (the “AGM”) of JL MAG Rare-Earth Co., Ltd. (the “Company”) will be held at the conference room of Jinjiang International Hotel, 88 Jindongbei Road, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC on Wednesday, May 28, 2025 at 2:30 p.m. for the purpose of considering and, if thought fit, approving the following resolutions. Unless the context otherwise requires, the terms and expressions used herein shall have same meaning as those defined in the circular of the Company dated May 7, 2025.

ORDINARY RESOLUTIONS

1. To consider and approve the work report of the Board for the year 2024
2. To consider and approve the work report of the Supervisory Committee for the year 2024
3. To consider and approve the Company's 2024 annual report and report summary and 2024 annual results of the Company
4. To consider and approve the Company's financial statements for the year 2024
5. To consider and approve the Company's 2024 profit distribution plan
6. To consider and approve the engagement of auditors of the Company for the year 2025

NOTICE OF THE 2024 ANNUAL GENERAL MEETING

7. To consider and approve the A Share Employee Stock Ownership Plan and its summary
8. To consider and approve the Measures for Administration of the A Share Employee Stock Ownership Plan
9. To consider and approve the grant of authorization to the Board to handle matters in relation to the A Share Employee Stock Ownership Plan
10. To consider and approve the purchase of liability insurance for the Company, Directors, Supervisors and Senior Management
11. To consider and approve the change in use of net proceeds from the Global Offering

SPECIAL RESOLUTIONS

12. To consider and approve the application to banks for integrated credit facilities by the Company and its subsidiaries and the related guarantee
13. To consider and approve the H Share Restricted Share Scheme
14. To consider and approve the grant of authorization to the Board to handle matters in relation to the H Share Restricted Share Scheme
15. To consider and approve the Change of Registered Capital and the proposed amendments to the Articles of Association
16. To consider and approve the grant of a general mandate to issue additional A Shares or H Shares
17. To consider and approve the grant of authorization to the Board to handle matters in relation to the small-scale rapid financing
18. To consider and approve the grant of a general mandate to apply for issuance of domestic and overseas debt financing instruments
19. To consider and approve the grant of a general mandate to the Board to repurchase Shares

NOTICE OF THE 2024 ANNUAL GENERAL MEETING

20. To consider and approve the Company's plan for the repurchase of A Shares

By Order of the Board
JL MAG Rare-Earth Co., Ltd.
Cai Baogui
Chairman

Jiangxi, May 7, 2025

As of the date of this notice, the Board comprises Mr. Cai Baogui and Mr. Lyu Feng as executive Directors; Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Liang Minhui and Mr. Li Xiaoguang as non-executive Directors; and Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as independent non-executive Directors.

Notes:

- (1) The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the AGM from Friday, May 23, 2025 to Wednesday, May 28, 2025 (both days inclusive). In order to attend the AGM, H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, May 22, 2025 to complete registration. The H shareholders listed on the register of the Company on Friday, May 23, 2025 shall have the right to attend and vote at the AGM.

The Board proposed to distribute cash dividends of RMB1.20 (tax inclusive) for every 10 existing shares to the A Shareholders and H Shareholders whose names appear on the registers of members of the Company on the respective record dates. If the total share capital of the Company changes during the period from the promulgation to implementation of the annual profit distribution plan, the aggregate distribution will be adjusted based on the total share capital as at the record date of shareholding as determined by the implementation of the annual profit distribution plan, with the distribution ratio unchanged.

The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders and investors participating in the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Program in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in Hong Kong Dollar is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration of such dividend. Arrangements for the distribution of the final dividend of A shares will be announced separately.

- (2) Subject to the approval of the resolution regarding the Company's 2024 profit distribution plan at the AGM, dividends are expected to be distributed within 2 months after the conclusion of the AGM, which will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on Wednesday, June 11, 2025. The register of members of the Company will be closed from Friday, June 6, 2025 to Wednesday, June 11, 2025 (both days inclusive). In order for the holders of H Shares of the Company to qualify for receiving the final dividends, but no transfer documents have been registered, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Thursday, June 5, 2025 at 4:30 p.m.
- (3) The Company shall duly dispatch and publish the circular, and form of proxy of shareholders of the AGM. Any shareholder of the Company who intends to appoint a proxy shall refer to the 2024 Annual Report of the Company which were published on the website of the Stock Exchange and the Company's website or dispatched to the relevant shareholders. The Company's 2024 annual report included directors' report for 2024, audited financial statements and auditor's report for the year 2024.

NOTICE OF THE 2024 ANNUAL GENERAL MEETING

- (4) All votes of resolutions at the AGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jlmag.com.cn) in accordance with the Listing Rules.
- (5) Any Shareholder entitled to attend and vote at the AGM can appoint one or more proxies to attend and vote at the AGM on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of shares in respect of which each proxy is so appointed.
- (6) Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the Shareholder or his/her/its attorney who has been authorized in writing. If the Shareholder is a corporation, the form of proxy shall be affixed with the corporation's seal or signed by its director, or its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the Shareholder, the power of attorney or other authorization document shall be notarized. For H Shareholders, the aforementioned documents must be lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 2:30 p.m. on Tuesday, May 27, 2025) in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the AGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (7) Shareholders shall produce their identification documents when attending the AGM.
- (8) If a proxy attends the AGM on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate Shareholder attends the AGM, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the Board or other authority or notarized copy of any authorization documents issued by such corporate Shareholder.
- (9) The AGM is expected to last for half a day. Shareholders who attend the AGM (in person or by proxy) shall bear their own traveling, accommodation and other expenses.
- (10) The contact of the Company:

Address: Board Secretary Office of JL MAG RARE-EARTH CO., LTD., 81 West Jinling Road,
Economic and Technological Development Zone, Ganzhou City, Jiangxi Province

Postal Code: 341000

Tel: 0797-8068059

Contact Person: Mr. Lai Xunlong
Mr. Liu Zhaolin

Fax: 0797-8068000