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中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

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

(Stock Code: 2068)

ANNOUNCEMENT ON THE FIRST GRANT OF RESTRICTED SHARES TO PARTICIPANTS UNDER THE 2023 RESTRICTED SHARE INCENTIVE SCHEME

This announcement is made pursuant to Rules 17.06A, 17.06B and 17.06C of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

BACKGROUND

References are made to the announcements (the “**Announcements**”) of China Aluminum International Engineering Corporation Limited (the “**Company**”) dated 8 December 2023, 2 April 2024 and 18 April 2024, respectively, and the circular (the “**Circular**”) dated 17 May 2024, in relation to, among other things, the proposed adoption of the 2023 Restricted Share Incentive Scheme and other related matters. Unless the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Announcements and the Circular.

The 2023 Restricted Share Incentive Scheme and the related resolutions have been considered and approved by the Shareholders at the AGM and the Class Meetings held on 18 June 2024 respectively. Given that among the list of the Participants of the first grant of the 2023 Restricted Share Incentive Scheme, 2 Participants are no longer included in the scope of Participants due to job change, voluntary waiver of subscription, etc. In accordance with the relevant provisions of the 2023 Restricted Share Incentive Scheme and the authorization of the AGM and the Class Meetings, the Board adjusted the number of Participants for the first grant and the number of entitlements to be granted under the 2023 Restricted Share Incentive Scheme. The 2023 Restricted Share Incentive Scheme proposes to adjust the number of Participants for the first grant from 242 to 240 and the number of Restricted Shares to be granted for the first time from 27,506,100 shares to 27,158,300 shares. Save for the above adjustments, other contents of the 2023 Restricted Share Incentive Scheme are in line with the 2023 Restricted Share Incentive Scheme as considered and approved at the AGM and the Class Meetings.

The Board is pleased to announce that the grant conditions set out in the 2023 Restricted Share Incentive Scheme have been fulfilled and a first grant of a total of 27,158,300 Restricted Shares has been determined to be granted to 240 Participants who meet the grant conditions at a price of RMB2.37 per A Share on 18 June 2024.

FIRST GRANT OF RESTRICTED SHARES TO PARTICIPANTS

Details of the first grant are as follows:

- Date of first grant** : 18 June 2024
- Number of Restricted Shares granted for the first grant** : 27,158,300 Restricted Shares
- Number of Participants for the first grant** : 240 persons
- Participants** : The distribution of Restricted Shares among the Participants is set forth in the table below:

No.	Name	Position(s)	Number of the Restricted Shares granted (0,000 shares)	Proportion of the total number of the Restricted Shares granted (%)	Proportion of the total share capital of the Company as at the date of this announcement (%)
1	Li Yihua	Chairman and executive director	26.74	0.92%	0.01%
2	Liu Jing	Executive director and general manager	26.74	0.92%	0.01%
3	Liu Ruiping	Deputy general manager	22.73	0.78%	0.01%
4	Liu Dongjun	Executive director	20.06	0.69%	0.01%
5	Bi Xiaoge	Deputy general manager	20.06	0.69%	0.01%
6	Zhao Hongmei	Executive director and chief financial officer	20.06	0.69%	0.01%
7	Zhou Dongfang	Deputy general manager	20.06	0.69%	0.01%
8	Tao Fulun	Secretary to the Board	20.06	0.69%	0.01%
9	Bai Jie	General counsel	16.07	0.55%	0.01%
10	Other managements and core technical (operational) backbone (no more than 231 persons)		2,523.25	86.54%	0.85%
Total First Grant			2,715.83	93.14%	0.92%
Reserved Grant			200	6.86%	0.07%
Total			2,915.83	100.00%	0.99%

Note: At the 2023 annual general meeting of the Company convened on 18 June 2024, Mr. Liu Dongjun was elected as an executive director of the fourth session of the Board of the Company. At the same time, Mr. Liu Ruiping, an existing executive director, resigned as an executive director of the Company.

- Explanation on the difference between the number of Restricted Shares actually granted and the number of Restricted Shares to be granted** : Given that among the list of the Participants of the first grant of the 2023 Restricted Share Incentive Scheme, 2 Participants are no longer included in the scope of Participants due to job change, voluntary waiver of subscription, etc. In accordance with the relevant provisions of the 2023 Restricted Share Incentive Scheme and the authorization of the AGM and the Class Meetings, the Board adjusted the number of Participants for the first grant and the number of entitlements to be granted under the 2023 Restricted Share Incentive Scheme. The 2023 Restricted Share Incentive Scheme proposes to adjust the number of Participants for the first grant from 242 to 240 and the number of Restricted Shares to be granted for the first time from 27,506,100 shares to 27,158,300 shares. Save for the above adjustments, other contents of the 2023 Restricted Share Incentive Scheme are in line with the 2023 Restricted Share Incentive Scheme as considered and approved at the AGM and the Class Meetings.
- The First Grant Price** : RMB2.37 per A Share

- Closing price of A Shares on the date of grant** : RMB4.37 per A Share
- Source of Shares** : The ordinary A shares of the Company issued by the Company to the Participants
- The Validity Period, Lock-up Period and unlocking arrangements of the 2023 Restricted Share Incentive Scheme** : The Validity Period of the 2023 Restricted Share Incentive Scheme shall commence from the date of completion of registration of the first grant of the Restricted Shares to the date when all the Restricted Shares which have been granted to the Participants are unlocked or repurchased, and shall not exceed 72 months in any event.

The Restricted Shares granted under the 2023 Restricted Share Incentive Scheme will be unlocked in three batches, with each batch being subject to a Lock-up Period of 24 months, 36 months and 48 months respectively from the date of registration of the corresponding grant. During the Lock-up Period, the Restricted Shares granted to the Participants under the 2023 Restricted Share Incentive Scheme are restricted from sale, and cannot be transferred, used as security or for repaying debts. The Shares acquired by the Participants as a result of the capitalization of capital reserve, payment of share dividends and sub-division of shares as a result of the grant of Restricted Shares which have not been released from restriction are also subject to lock-up in accordance with the 2023 Restricted Share Incentive Scheme. After the release of the lock-up restriction, the Company will unlock the Restricted Shares for those Participants who satisfy the Unlocking Conditions, and the Restricted Shares held by those Participants who do not satisfy the Unlocking Conditions will be repurchased by the Company.

The unlocking schedule arrangements of the Restricted Shares under the first grant and the reserved grant of the 2023 Restricted Share Incentive Scheme are set out below:

Unlocking arrangement	Unlocking schedule	Proportion of the Restricted Shares to be unlocked of total number of the Restricted Shares granted
First Unlocking Period of the first grant and the reserved grant	Commencing from the first trading day upon the expiry of 24 months from the date of completion of registration of the grant to the last trading day upon the expiry of 36 months from the date of completion of registration of the grant	40%
Second Unlocking Period of the first grant and the reserved grant	Commencing from the first trading day upon the expiry of 36 months from the date of completion of registration of the grant to the last trading day upon the expiry of 48 months from the date of completion of registration of the grant	30%
Third Unlocking Period of the first grant and the reserved grant	Commencing from the first trading day upon the expiry of 48 months from the date of completion of registration of the grant to the last trading day upon the expiry of 60 months from the date of completion of registration of the grant	30%

Performance appraisal targets : Performance appraisal targets for the unlocking of the Restricted Shares granted under the first grant and reserved grant of the 2023 Restricted Share Incentive Scheme are set out in the table below:

Performance appraisal requirements at the Company's level

Unlocking Period Performance appraisal targets

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| First Unlocking Period | (1) | Cash return on net assets (EOE) for 2024 shall not be less than 13.76% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies; |
| | (2) | On the basis of 2022 performance, the compound growth rate of net profit attributable to shareholders of the parent company for 2024 shall not be less than 24.72% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies; |
| | (3) | Economic value added increment (Δ EVA) for 2024 shall be greater than 0 _± |
| Second Unlocking Period | (1) | Cash return on net assets (EOE) for 2025 shall not be less than 14.52% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies; |
| | (2) | On the basis of 2022 performance, the compound growth rate of net profit attributable to shareholders of the parent company for 2025 shall not be less than 26.18% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies; |

Unlocking Period Performance appraisal targets

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|------------------------|-----|---|
| | (3) | Economic value added increment (Δ EVA) for 2025 shall be greater than 0. |
| Third Unlocking Period | (1) | Cash return on net assets (EOE) for 2026 shall not be less than 15.18% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies; |
| | (2) | On the basis of 2022 performance, the compound growth rate of net profit attributable to shareholders of the parent company for 2026 shall not be less than 26.27% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies; |
| | (3) | Economic value added increment (Δ EVA) for 2026 shall be greater than 0. |

Notes:

- (1) EOE = EBITDA/average net assets, where EBITDA is earnings before interest, taxes, depreciation, and amortization; average net assets is the arithmetic average of the sum of the Company's owners' equity at the beginning and end of the period.
- (2) If the major asset restructuring as determined by a superior authority or such strategic measures as debt-to-equity, increase in capital and shares, rights issue, issuance of preferred shares and perpetual bonds implemented by the Company in response to the call of national policies related to deleveraging and debt reduction may affect the relevant performance indicators and force majeure events encountered by the Company have significant influence on operating results, resulting in incomparability of relevant performance indicators, the Board is authorized to restore the actual value of the relevant performance indicators.

Performance appraisal requirements at the individual level

The individual appraisal of the Participants shall be conducted annually in accordance with the Appraisal Management Measures for the Implementation of the 2023 Restricted Share Incentive Scheme of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司2023年限制性股票激勵計劃實施考核管理辦法》) and the appraisal results (S) are divided into three levels. The percentage of unlocking of the Restricted Shares for the year shall be determined in accordance with individuals' performance evaluation results. The individuals' actual unlocking limit for the current year = standard coefficient × limit planned to be unlocked by individuals in the current year. Special circumstances in the appraisal of the individual shall be decided by the Board. Details are as follows:

Appraisal results (S)	S≥80	80>S≥70	S<70
Standard coefficient	1.0	0.9	0

All or part of the Restricted Shares of the Participant that have not been unlocked for the current period due to performance appraisal at the Company level or performance appraisal at the individual level shall not be unlocked or deferred to the next period to unlock, and shall be repurchased by the Company at the lower of the Grant Price and the market price at the time of repurchase. The “market price at the time of repurchase” means the closing price of the Company's Shares on the trading day preceding the date of consideration by the Board for the repurchase of the Restricted Shares of that Participant.

- Clawback mechanism** :
- The 2023 Restricted Share Incentive Scheme provides withdrawal channels for Participants who are no longer entitled to hold the Company's Restricted Shares due to duty adjustment, retirement, termination of labor relationship for objective reasons, loss of labor capacity, death, voluntary departure or other circumstances, with clearly defined withdrawal prices set under the respective circumstances. For further details of the clawback mechanism under the Initial Grant under each different circumstance, please refer to the section headed “13. METHODS OF HANDLING UNUSUAL CHANGES TO THE COMPANY AND THE PARTICIPANTS” in the Letter from the Board of the Circular.

Financial assistance : The subscription of Restricted Shares by the Participants would be financed by their own funds. The Company undertakes not to provide loans, loan guarantees or any other form of financial assistance to the Participants to obtain Restricted Shares under the Scheme.

THE EFFECT ON THE FINANCIAL POSITION OF THE COMPANY AFTER THE GRANT OF INTEREST

(I) Accounting treatment method for the Restricted Shares

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

1. Accounting treatment on the Grant Date: The share capital and capital reserve shall be determined according to the issuance of Shares to the Participants by the Company.
2. Accounting treatment during the Lock-up Period: Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognized as costs on each balance sheet date during the Lock-up Period, and the equity or liability of owners will be recognized at the same time.
3. Accounting treatment on the Unlocking Date: On the Unlocking Date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are repurchased and canceled by the Company since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

(II) Method of determining the fair value of the Restricted Shares

The fair value of the Restricted Shares shall be determined according to the market price on the Grant Date and the subscription price paid by the Participant.

(III) Impact of share-based payment expenses on operating results of the Company for each period

The Board has determined 18 June 2024 as the first grant date of Restricted Shares under the 2023 Restricted Share Incentive Scheme. The Company has granted 27,158,300 Restricted Shares to Participants under the first grant, and the total estimated amortisation expense of the Restricted Shares will be RMB54.3166 million. Such amortisation expenses shall be recognised in phases based on the unlocking proportions during the implementation of the Scheme and the capital reserve will be increased at the same time. See the table below for details:

<u>Number of Restricted Shares under the first grant</u> <u>('0,000 shares)</u>	<u>Total cost</u> <u>(RMB'0,000)</u>	<u>2024</u> <u>(RMB'0,000)</u>	<u>2025</u> <u>(RMB'0,000)</u>	<u>2026</u> <u>(RMB'0,000)</u>	<u>2027</u> <u>(RMB'0,000)</u>	<u>2028</u> <u>(RMB'0,000)</u>
2,715.83	5,431.66	1,188.18	2,036.87	1,403.18	633.69	169.74

Note: The above are preliminary estimates made by the Company on the assumptions of the currently available data. Actual amounts are ascertained using fair values of the Restricted Shares that are measured on the actual Grant Date, which are subject to the amounts audited by the accounting firm. The accounting treatment of reserved Restricted Shares is identical to that of the Restricted Shares under the first grant in the 2023 Restricted Share Incentive Scheme.

The total expenses arising from the share incentive plan will be charged to recurring profit or loss. Based on the current situation, the Company estimates that the amortisation of the expenses under the 2023 Restricted Share Incentive Scheme will affect the net profit of each year during the Validity Period without considering the stimulating effect of the Incentive Scheme on the Company's performance. Taking into consideration the positive effects of the 2023 Restricted Share Incentive Scheme to the Company's development, such as boosting the enthusiasm of the management team and improving the operating efficiency, the performance improvement of the Company brought by the 2023 Restricted Share Incentive Scheme will outweigh the increase in expenses incurred by it.

Pursuant to Rule 17.04(1) of the Listing Rules, the grant of Restricted Shares by the Company under the 2023 Restricted Share Incentive Scheme to the above Director was reviewed and approved by the independent non-executive Directors.

Save as disclosed above, none of the Participants is a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates.

As at the date of this announcement, the number of Restricted Shares under the reserved grant is 2,000,000 Shares according to the mandate limit under the 2023 Restricted Share Incentive Scheme and the reasons stated above.

By Order of the Board
China Aluminum International Engineering Corporation Limited
TAO Fulun
Joint Company Secretary

Beijing, the PRC,
18 June 2024

As at the date of this announcement, the non-executive directors are Mr. ZHANG Decheng and Mr. YANG Xu; the executive directors are Mr. LI Yihua, Mr. LIU Jing, Mr. LIU Dongjun and Ms. ZHAO Hongmei; and the independent non-executive directors are Mr. SIU Chi Hung, Mr. TONG Pengfang and Mr. ZHANG Tingan.