



Haier Smart Home Co., Ltd.

Qingdao City, China

ISIN D-Shares: CNE1000031C1

ISIN A-Shares: CNE000000CG9

ISIN H-Shares: CNE1000048K8

(“**Haier Smart Home**” or the “**Company**”)

NOTICE:

The following document is a Circular (the “**Circular**”) published on the website of the Hong Kong Stock Exchange regarding the upcoming Extraordinary General Meeting and the Class Meeting of the Company scheduled for 15 September 2021 (the “**EGM**”). It is directed at holders of H Shares of the Company only and therefore includes information for H Shareholders of the Company.

The Circular includes information about the Company and the agenda items of the AGM which may be of interest for the holders of D Shares in the Company as well. For the convenience of its D Shareholders, the Company makes the Circular available to the D Shareholders on the D Shares segment of its website as well.

D Shareholders should however note that provisions regarding registration, attendance and voting at the EGM and Class Meeting as well as other formal provisions regarding the EGM and Class Meeting in the Circular apply to H Shareholders only and **not** to D Shareholders.

For information regarding registration, attendance and voting at the EGM and the D Shares Class Meeting as well as other formal provisions regarding the EGM and the D Shares Class Meeting relevant for D Shareholders, D Shareholders should refer to the specific documents in the D Shares section of the Company’s website under the heading “Shareholders Meeting” (<https://smart-home.haier.com/en/sm/>):

- **Invitation Letter for D Shareholders:** https://smart-home.haier.com/en/sm/P020210830672027405070.pdf?appdesc=Haier_2021%20Second%20EGM%20and%20Third%20Class%20Meeting%20Invitation%20for%20D-Shareholders
- **Information for registration and voting representation, including voting form, for D Shareholders:** https://smart-home.haier.com/en/sm/P020210830672491228886.pdf?appdesc=Haier_2021%20Second%20EGM%20and%20Third%20Class%20Meeting%20Proxy%20Form%20for%20D-shareholders%20Blank

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Haier Smart Home Co., Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

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

Stock Code: 6690

- (1) PROPOSED ADOPTION OF THE 2021 A SHARE OPTION INCENTIVE SCHEME;**
- (2) PROPOSED ADOPTION OF THE APPRAISAL MANAGEMENT MEASURES OF THE 2021 A SHARE OPTION INCENTIVE SCHEME;**
- (3) THE PROPOSAL TO THE GENERAL MEETING TO GRANT AUTHORITY TO THE BOARD AND SUCH PERSONS AS DELEGATED BY THE BOARD TO HANDLE IN FULL DISCRETION ALL MATTERS IN CONNECTION WITH THE 2021 A SHARE OPTION INCENTIVE SCHEME;**
- (4) NOTICE OF THE SECOND EGM OF 2021;**
- AND**
- (5) NOTICE OF THE THIRD H SHARES CLASS MEETING OF 2021**

The Letter from the Board is set out on pages 5 to 50 of this circular.

The Company will convene the EGM and Class Meetings at 2:00 p.m. on 15 September 2021 (Wednesday) at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC. The notice of the EGM and notice of the H Shares Class Meeting are set out on pages 62 to 65 of this circular.

Whether or not you intend to attend and/or vote at the EGM and the H Shares Class Meeting in person, you are requested to complete the form(s) of proxy in accordance with the instructions printed thereon and return the form(s) of proxy to Tricor Investor Services Limited, the H Shares Registrar of the Company (for the H Shareholders) as soon as possible and in any event not less than 24 hours before the scheduled time for the holding of the EGM and the H Shares Class Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and the H Shares Class Meeting or any adjournment thereof should you so wish.

In case of any inconsistency, the Chinese text of this circular shall prevail over the English text.

* For identification purpose only

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DEFINITIONS

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

“A Shares”	A share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Shanghai Stock Exchange and traded (Stock Code: 600690)
“A Shares Class Meeting”	the third A Shares Class Meeting of 2021 of the Company to be held at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC immediately after the first EGM of 2021 of the Company on 15 September 2021 (Wednesday)
“Administrative Measures”	the Administrative Measures for Share Incentives of Listed Companies (上市公司股權激勵管理辦法) issued by the CSRC, as amended from time to time
“Agreement on Grant of Share Options of A Share in 2021”	the Agreement covenanted by the Company and the Participants under the Share Option Scheme to stipulate their respective rights and obligations
“Appraisal Management Measures”	the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
“Articles of Association”	articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Associate(s)”	has the meaning as ascribed under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Class Meeting(s)”	the third A Shares/D Shares/H Shares Class Meetings of 2021 of the Company to be held at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC immediately after the EGM of the Company on 15 September 2021 (Wednesday)

DEFINITIONS

“Company”	Haier Smart Home Co., Ltd., a joint stock company incorporated in the PRC on 28 April 1989 with limited liability, whose A Shares are listed on the Shanghai Stock Exchange (stock code: 600690), whose D shares are listed on the China Europe International Exchange AG D-Share Market and quoted on the Frankfurt Stock Exchange (stock code: 690D), and whose H Shares are listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 6690)
“Company Law”	the Company Law of the People’s Republic of China, as amended from time to time
“Connected Person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“D Share(s)”	the D share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed and traded on the China Europe International Exchange AG D-Share Market on the Frankfurt Stock Exchange (stock code: 690D)
“D Shares Class Meeting”	the third D Shares Class Meeting of 2021 of the Company to be held at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC immediately after the second EGM of 2021 and the third A Shares Class Meeting of 2021 of the Company on 15 September 2021 (Wednesday)
“Director(s)”	director(s) of the Company
“EGM”	the second extraordinary general meeting of 2021 of the Company to be held at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC at 2:00 p.m. on 15 September 2021 (Wednesday)
“Exercisable Date”	the date on which the Participants are entitled to exercise the Share Options, which must be a trading day
“Exercise”	the Participants’ exercise of the Share Options owned by them according to the Share Option Incentive Scheme, i.e., the Participants’ purchase of the Target Shares according to the conditions as stipulated in the Incentive Scheme
“Exercise Conditions”	the conditions that must be fulfilled by the Participants to exercise the Share Options under the Share Option Incentive Scheme

DEFINITIONS

“Exercise Price”	the price determined under the Scheme, at which the Participants can purchase the Shares of the Company
“Grant Date”	the date on which the Company grant Share Options to the Participants which must be a trading day
“H Share(s)”	the H share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Hong Kong Stock Exchange (Stock Code: 6690)
“H Shareholders”	holders of H shares of the Company
“H Shares Class Meeting”	the third H Shares Class Meeting of 2021 of the Company to be held at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC immediately after the second EGM of 2021, the third A Shares Class Meeting of 2021 and the third D Shares Class Meeting of 2021 of the Company on 15 September 2021 (Wednesday)
“HEG”	HEG, shares of which were listed on the Stock Exchange (stock code: 1169), and delisted by way of privatisation on 23 December 2020
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Incentive Scheme”, “Share Option Incentive Scheme” or “Scheme”	the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
“Independent Director(s)” or “Independent Non-executive Director(s)”	the independent director(s) referred to in the Articles of Association of the Company and the independent non-executive director(s) referred to under the Listing Rules
“Participant(s)”	core management personnel who play an important role in the overall performance and long-term development of the Company pursuant to the provisions of the Incentive Scheme, including directors, senior management, general managers of the Company’s subsidiaries and division managers

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share Option(s)” or “Option(s)”	the right(s) to be granted by the Company to the Participants to purchase a certain number of class A ordinary Share at a predetermined condition within a certain period of time in the future
“Share(s)”	the ordinary share(s) of the Company, including A Share(s), D Share(s) and H Share(s)
“Shareholder(s)”	holders of the Company’s Shares
“Subsidiary(ies)”	unless the context requires otherwise, has the meaning ascribed thereto under the Hong Kong Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Validity Period”	the period commencing from the Grant Date of the Share Options to the date when all Share Options are Exercised or cancelled
“Vesting Period”	the period commencing from the Grant Date of the Share Options and ending on the Exercisable Date of the Share Options
“%”	per cent

Certain amounts and percentage figures in this circular have been subject to rounding adjustments. Accordingly, figures shown as currency conversion or percentage equivalents may not be an arithmetic sum of such figures.



Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

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

Stock Code: 6690

Executive Directors:

LIANG Haishan (*Chairman*)

LI Huagang

XIE Juzhi

Registered office and Headquarters:

Haier Information Industry Park

Laoshan District

Qingdao, Shandong Province

PRC

Non-executive Directors:

WU Changqi

LIN Sui

YU Hon To, David

Eva LI Kam Fun

Principal place of business

in Hong Kong:

Unit 3513, 35/F, The Centre

99 Queen's Road Central

Hong Kong

Independent Non-executive Directors:

CHIEN Da-Chun

WONG Hak Kun

LI Shipeng

WU Qi

To the Shareholders,

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF THE 2021 A SHARE OPTION INCENTIVE SCHEME;**
- (2) PROPOSED ADOPTION OF THE APPRAISAL MANAGEMENT MEASURES OF THE 2021 A SHARE OPTION INCENTIVE SCHEME;**
- (3) THE PROPOSAL TO THE GENERAL MEETING TO GRANT AUTHORITY TO THE BOARD AND SUCH PERSONS AS DELEGATED BY THE BOARD TO HANDLE IN FULL DISCRETION ALL MATTERS IN CONNECTION WITH THE 2021 A SHARE OPTION INCENTIVE SCHEME;**
- (4) NOTICE OF THE SECOND EGM OF 2021;**
- AND**
- (5) NOTICE OF THE THIRD H SHARES CLASS MEETING OF 2021**

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LETTER FROM THE BOARD

I. INTRODUCTION

The Company will convene the EGM at 2:00 p.m. on 15 September 2021 (Wednesday), at which the following resolutions will be proposed for the Shareholders to consider and approve, if thought fit:

SPECIAL RESOLUTIONS

1. To consider and approve the 2021 A Share Option Incentive Scheme (draft) of Haier Smart Home Co., Ltd. and its summary
2. To consider and approve the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
3. To consider and approve the proposal to the general meeting to grant authority to the Board and such persons as delegated by the Board to handle in full discretion all matters in connection with the 2021 A Share Option Incentive Scheme of the Company

In addition, the A Shares Class Meeting, D Shares Class Meeting and H Shares Class Meeting are to be held immediately after the EGM on 15 September 2021 (Wednesday). At each of the Class Meetings, the following resolutions will be proposed for the Shareholders to consider and approve, if thought fit:

SPECIAL RESOLUTIONS

1. To consider and approve the 2021 A Share Option Incentive Scheme (draft) of Haier Smart Home Co., Ltd. and its summary
2. To consider and approve the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
3. To consider and approve the proposal to the general meeting to grant authority to the Board and such persons as delegated by the Board to handle in full discretion all matters in connection with the 2021 A Share Option Incentive Scheme of the Company

The purpose of this circular is to provide you with the information regarding the resolutions to be considered and approved at the EGM and the H Shares Class Meeting for approval. The notice of the EGM and notice of the H Shares Class Meeting are set out on pages 62 to 65 of this circular.

II. RESOLUTIONS TO BE CONSIDERED AND APPROVED AT THE EGM AND/OR THE H SHARES CLASS MEETING

1. Proposed Adoption of the 2021 A Share Option Incentive Scheme

A special resolution will be proposed at the EGM to consider and approve the resolution in relation to the proposed adoption of the 2021 A Share Option Incentive Scheme, particulars of which are as follows:

Reference is made to the announcement of the Company dated 29 July 2021 in relation to the resolution on the proposed adoption of the 2021 A Share Option Incentive Scheme. Relevant resolution has been considered and approved by the Board on 29 July 2021. The Incentive Scheme shall become effective upon consideration and approval by the Company at the EGM and the Class Meeting. The Company may amend the Incentive Scheme as required by the PRC and/or Hong Kong Regulator prior to the convening of the EGM and the Class Meeting to approval the Incentive Scheme.

I. Reasons for and Benefits of Adopting Share Option Incentive Scheme

The Company proposes to adopt the Share Option Incentive Scheme for the following reasons:

- (1) The Share Option Incentive Scheme demonstrates the principle of “pay for performance” while aligning the interest of the Shareholders and the management.*

The Share Option Incentive Scheme is well-structured with reasonable price, carefully selected participants and competitive performance targets.

The Scheme adopts the “adjusted net profit attributable to the parent company in 2020” as the performance benchmark for the first year after excluding significant non-operating one-off items as it is a more accurate reflection of the Company’s business fundamentals; compared with the benchmarks set out by industry peers, the proposed 15% CAGR is not only considered to be more competitive, it is also the appropriate incentive arrangement to inspire exceptional performance in the challenging business environment going forward. In addition, the Company has established an individual based appraisal system to evaluate the performance of Participants in an accurate and all-round manner, by encouraging Participants to make greater contribution towards the Company’s aggregate targets, effectively aligning individuals’ interest with that of Shareholders.

Moreover, the Options to be granted under the Incentive Scheme will not exceed 1% of the total share capital of the Company thus unlikely to have any material dilutive impact on the shareholdings of existing Shareholders.

LETTER FROM THE BOARD

- (2) *The Share Option Incentive Scheme is an effective supplement to the Company's existing incentive schemes.*

The Directors are of the view that the proposed Share Option Incentive Scheme is an additional measure that will enhance the Company's overall compensation programs. As disclosed in the announcement dated 25 May 2021 and the circular dated 4 June 2021, A Share and H Share Employee Stock Ownership Schemes and Restricted Share Unit Scheme have been adopted in order to provide incentive to middle and senior management as well as employees in key positions.

In contrast, the Share Option Incentive Scheme provides incentive to the core management members with higher performance targets for longer period of up to six years, aiming to accelerating brand premiumization and smart appliances business. In addition, several other established companies have also adopted a variety of incentive arrangements in particular during their business expansion phase in order to attract and retain talents in the establishment of long-term strategic goals.

- (3) *The Share Option Incentive Scheme will only incur relatively low cost thus is not unduly burdensome for the Company.*

Based on assumptions including those set out in this letter and the B-S Model, the total theoretical value of the Company's 51 million Options proposed to be granted under the Incentive Scheme is RMB262 million, which represents the estimated cost of the Options to be amortized over the Vesting Period of the Incentive Scheme. The grant of Options under the Incentive Scheme is subject to the performance appraisal in the preceding year, failing which the Options will not be exercisable by the Participants and will be cancelled by the Company accordingly. The cost of the Incentive Scheme will be determined at the actual date of grant and will not increase thereafter..

- (4) *The Participants will not be involved in the administration of the Share Option Incentive Scheme.*

The Participants and their respective associates are required to abstain from voting on the proposed resolutions in relation to the adoption of the Option Scheme and related matters at the meeting of the Remuneration and Appraisal Committee, the Board, the general meeting and the class meetings (where applicable).

The Independent Non-Executive Directors have approved the grant of Share Options to the Directors, namely Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi, and have issued opinions the Scheme is beneficial to the sustainable development of the Company and it is in the interests of the Company and Shareholders as a whole.

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Based on the above, the Directors (including Independent Non-executive Directors, but excluding Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi, who shall abstain from voting on all resolutions) believe that the adoption of the Share Option Incentive Scheme will help the Company achieve the objectives thereunder. They are also of the view that the terms and conditions of the Incentive Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. Purpose and Principles of the Incentive Scheme

(1) Purpose of the Incentive Scheme

1. With the continuous expansion of the high-end brands of the Company and the ongoing development of the strategy of Internet of Things scenarios, the Company has to remain steadfast in its strategic focus and the management has to pay more dedicated effort in order to secure its strategic growth, which calls for the addition of a long-term incentive scheme in line with the above objectives. As such, the Incentive Scheme encourages core management and operation team to venture and innovate continuously, as well as significantly boosts and promotes Participants' initiative through the formulation of long-term performance growth indicators and inspires them to provide users with the best experience and achieve business development across the industry cycle.
2. The incentive model serves as a benchmark for the development period for the coming 5 years, which facilitates Participant's alignment with the Company's strategic objectives of long-term development, and further promotes the synergistic consolidation of businesses, boosts operation efficiency and achieves industry leadership.
3. Improve the Company's governance mechanism and enhance corporate value and Shareholder value. The core leader and management team's holdings of Shares or relevant interests through the Share Option Incentive Scheme facilitates the improvement of the governance structure and aligns the interests of the management with those of the Company and the Shareholders, thereby enhancing both the Company and Shareholders' value.
4. Innovate the Company's remuneration management system to further attract talents. The implementation of the Share Option Incentive Scheme is conducive to further improving the Company's remuneration and incentive system; to refine the Company's incentive and disciplinary mechanism; to support an open

LETTER FROM THE BOARD

platform with outstanding human resources to safeguard the Company's long-term interest, attract better venture team members and motivate the Company's key personnel in operation and management, thereby facilitating the Company's development.

(2) The Incentive Scheme Should Comply with the following principles:

1. Principle of legal compliance

For the implementation of the Incentive Scheme, the Company performs relevant procedures in strict accordance with laws and administrative regulations and carries out information disclosure in a true, accurate, complete, and timely manner.

2. Principle of voluntary participation

The Company implements the Incentive Scheme with the principle of independent decision and voluntary participation, and does not force employees to participate in the Incentive Scheme by means of forced allocation.

3. Principle of benefit sharing

The Incentive Scheme is linked to the Company's key performance indicators, highlights the Company's common vision, and closely aligns the long-term interests of the Company's management, core backbone staff and Shareholders.

III. Administrative Body of the Incentive Scheme

- (1) The general meeting of Shareholders, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Incentive Scheme. The general meeting may, within its powers and authority, authorise the Board to handle certain matters relating to the Incentive Scheme.
- (2) The Board shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. The Remuneration and Appraisal Committee under the Board shall be responsible for drafting and revising the Incentive Scheme, and submitting the Incentive Scheme to the Board for review and approval. Upon approval by the Board, the Incentive Scheme shall be further submitted to the EGM and Class Meetings for consideration and approval. The Board and its Remuneration and Appraisal Committee may handle other matters relating to the Incentive Scheme within its scope of authority as delegated by the general meeting.

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- (3) The Supervisory Committee and the Independent Director(s) shall issue opinions as to whether the Incentive Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the Shareholders as a whole. The Supervisory Committee shall supervise the implementation of the Incentive Scheme as to whether it is in compliance with the relevant laws, regulations, regulatory documents and operational rules of the Shanghai Stock Exchange, and shall be responsible for verifying the list of the Participants. The Independent Director(s) shall solicit voting rights by proxy from all Shareholders in respect of the Incentive Scheme.
- (4) Where amendments have been made to the Incentive Scheme before the Incentive Scheme is passed at the general meeting, the Independent Director(s) and the Supervisory Committee shall issue independent opinions as to whether the amended Incentive Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the Shareholders as a whole.

Before the Options are granted to a Participant, the Independent Director(s) and the Supervisory Committee shall issue clear opinions on the conditions to be fulfilled for the Participant to receive such entitlements stipulated under the Incentive Scheme. In the event of any discrepancy between the entitlements granted to a Participant and the arrangement under the Incentive Scheme, the Independent Director(s) and the Supervisory Committee (where there is a change of the Participants) shall simultaneously issue clear opinions thereon.

Before Exercised by a Participant, the Independent Directors and the Supervisory Committee shall issue clear opinions as to whether the conditions stipulated under the Incentive Scheme for the Participant to Exercise such entitlements have been fulfilled.

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IV. Basis for Determining the Participants and the Scope of Participants

(1) Legal basis for determining the Participants

1. Applicable laws and Regulations in Determining the Participants

Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association with reference to the actual situations of the Company.

Persons who are under the following circumstances may not become Participants, if he or she:

- 1) has been determined by the Shanghai Stock Exchange as an ineligible person in the last 12 months;
- 2) has been determined by CSRC and its delegated agencies as an ineligible person in the last 12 months;
- 3) has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
- 4) is prohibited from acting as a director or a member of the senior management as required by the Company Law;
- 5) is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
- 6) is under other circumstances determined by the CSRC.

2. Scope of Participants

There are 400 Participants of the first grant under the Incentive Scheme in total, who are core management staff that have made significant contribution to the Company's overall performance and long-term development, specifically including:

- 1) Directors and senior management of the Company;
- 2) general manager and department manager of business divisions of the Company.

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According to requirements under the Administrative Measures issued by CSRC, the Participants under the Incentive Scheme exclude the Company's Independent Directors, Supervisors, the Shareholders individually or in aggregate holding 5% or more of the Shares of the Company or the de facto controllers and their spouses, parents or children.

All the Participants must hold directorship in the Company or hold positions in and enter into labour contracts or employment agreement or retirement re-employment agreement with the Company (including the Company's Subsidiaries listed in the consolidated statements) within the Validity Period of the Incentive Scheme.

The Participants of the Reserved Portion (as defined below) shall be determined within 12 months from the date of the Incentive Scheme is considered at the EGM and Class Meetings of the Company. After the Board has proposed, the Independent Directors and the Supervisory Committee have issued their clear opinions, and the lawyers have issued professional opinions and legal opinions, the Company shall disclose the relevant information of the Participants in a timely and accurate manner as required. If the Participants are not clearly identified for more than 12 months, the reserved interest shall lapse.

(2) Verification of Participants

1. After the Board has reviewed and approved the Incentive Scheme, the Company shall internally publish the names and the positions of the Participants (which is the full list of the one disclosed on page 14 of this Circular) before the convening of the EGM and Class Meetings through its website or other channels for a period of no fewer than 10 days within the Company.
2. The Supervisory Committee shall verify the list of the Participants and thoroughly consider external opinions. The Company shall publish the opinions of the Supervisory Committee on the verification and the publishing of the list of the Participants 5 days before the Incentive Scheme is considered at the EGM and Class Meetings of the Company. Any adjustments to the list of the Participants made by the Board shall also be subject to verification by the Supervisory Committee of the Company.

V. Source, number and allocation of Share Options

(1) Source of Shares for the Incentive Scheme

The source of the underlying Shares of the Share Option Incentive Scheme shall be ordinary A Shares to be directly issued to the Participants by the Company.

LETTER FROM THE BOARD

(2) Number of the Share Options to be Granted

Subject to the approval of the EGM and the Class Meetings and relevant procedures pursuant to applicable rules and regulations, the Company resolves to grant 51,000,000 Share Options to the Participants, representing 0.543% of the total number of Shares of the Company (i.e. 9,393,170,481 Shares) as at the date of the announcement of the Incentive Scheme. Among which, first 46,000,000 to be granted, representing 90.20% of the total number of Share Options proposed to be granted under the Incentive Scheme, representing approximately 0.490% of the total number of shares of the Company as at the date of the announcement on the Incentive Scheme; and 5,000,000 to be reserved (the “**Reserved Portion**” or “**Reserved Share Option(s)**”), representing 9.80% of the total number of Share Options proposed to be granted under the Incentive Scheme, and accounting for approximately 0.053% of the total number of Shares of the Company as at the date of the announcement on the Incentive Scheme.

The allocation of the Share Options to be granted to the Participants is as follows:

Name	Position	Number of the Share Options proposed to be granted (000)	Percentage to the total number of the Share Options proposed to be granted	Percentage to the existing share capital
Liang Haishan	Chairman	913.9	1.79%	0.010%
Li Huagang	Director, Chief Executive Officer	913.9	1.79%	0.010%
Xie Juzhi	Vice Chairman	913.9	1.79%	0.010%
Li Pan	Vice-president	457.0	0.90%	0.005%
Gong Wei	Chief Financial Officer, Vice-president	457.0	0.90%	0.005%
Huang Xiao Wu	Vice-president	457.0	0.90%	0.005%
Wu Yong	Vice-president	228.5	0.45%	0.002%
Li Yang	Vice-president	457.0	0.90%	0.005%
Guan Jiangyong	Vice-president	228.5	0.45%	0.002%
Wang Li	Vice-president	457.0	0.90%	0.005%
Other management personnel and core technical (business) backbone staff (390 people)		40,516.3	79.44%	0.431%
Subtotal (400 people)		46,000	90.20%	0.490%
Reserved Portion		5,000	9.80%	0.053%
Total		51,000	100.00%	0.543%

LETTER FROM THE BOARD

1. The total number Shares of the Company to be granted under the Incentive Scheme within the Validity Period to any one of the above-mentioned Participants will not exceed 1% of the total number of Shares of the Company. The total underlying Shares of the Company involved under fully effective Incentive Schemes shall not exceed 10% of the total number of Shares of the Company as at the date of the proposal of the Incentive Scheme at the EGM and Class Meetings.
2. According to requirements under the Administrative Measures issued by CSRC, the Participants of the Incentive Scheme exclude the Company's Independent Directors, Supervisors, the Shareholders individually or in aggregate holding 5% or more of the Shares of the Company or the de facto controllers and their spouses, parents or children.

VI. Validity Period, Grant Date, Vesting Period, Exercisable Date and Lock-up Period of the Incentive Scheme

(1) Validity Period of the Incentive Scheme

The Validity Period of the Incentive Scheme shall commence on the date on which the Share Options are initially granted and end on the date of fully exercising all the Share Options or the cancellation of such Share Options, which shall not exceed 84 months.

(2) Grant Date of the Incentive Scheme

The first Grant Date shall be determined by the Board after the Incentive Scheme is considered and approved at the EGM and Class Meetings of the Company. The Company shall grant the Share Options and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and approved at the EGM and Class Meetings of the Company, failing which the Company shall disclose the reasons for the failure and announce termination of the Incentive Scheme. The Administrative Measures stipulate that the period during which no grant of entitlements is allowed is excluded from the calculation of the 60-day period. The Grant Date of the Reserved Share Options shall be the announcement date of the Board resolution to consider the authorization of such portion of Share Options.

The day of grant of Options must be a trading day. If the date determined in accordance with the above principles is not a trading day, the Grant Date shall be postponed to the first trading day thereafter.

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(3) Vesting Period of the Incentive Scheme

Share Options granted to the Participants are subject to different Vesting Periods commencing from the Grant Date. The interval between the Grant Date and Exercisable Date must not be shorter than 12 months.

(4) Exercisable Date of the Incentive Scheme

1. The Share Options to be granted shall be exercisable after the Vesting Period, subject to the approval of the Incentive Scheme at the EGM and Class Meetings. The Exercisable Date must be a trading day and shall not fall within any of the following periods:
 - 1) the period commencing from 60 days prior to the publication of annual reports or 30 days prior to the publication of semi-annual and quarterly reports of the Company, or in the event of delay in publishing the annual reports for special reasons, 60 days prior to the original date of publication and up to the actual date of publication of annual reports; or in the event of delay in publishing the semiannual and quarterly reports for special reasons, 30 days prior to the original date of publication of semi-annual and quarterly reports and up to the actual date of publication;
 - 2) the period commencing from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
 - 3) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's Shares and their derivatives or the date on which relevant decision-making procedures start and ending on the second trading day following the publication in accordance with laws;
 - 4) other periods as stipulated by the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Frankfurt Stock Exchange.

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2. Upon the expiry of the 12-month period from the Grant Date of Share Options initially granted under the Incentive Scheme, subject to the satisfaction of the Exercise Conditions, the Participants may exercise the Options in five phases, with specific Exercise arrangement as follows:

Exercise arrangement	Exercise schedule	Proportion of exercisable Options to granted Options
First Exercise Period of the first grant of Share Options	Commencing from the first trading day upon the expiry of 12 months from the first Grant Date to the last trading day upon the expiry of 24 months from the first Grant Date	20%
Second Exercise Period of the first grant of Share Options	Commencing from the first trading day upon the expiry of 24 months from the first Grant Date to the last trading day upon the expiry of 36 months from the first Grant Date	20%
Third Exercise Period of the first grant of Share Options	Commencing from the first trading day upon the expiry of 36 months from the first Grant Date to the last trading day upon the expiry of 48 months from the first Grant Date	20%
Fourth Exercise Period of the first grant of Share Options	Commencing from the first trading day upon the expiry of 48 months from the first Grant Date to the last trading day upon the expiry of 60 months from the first Grant Date	20%
Fifth Exercise Period of the first grant of Share Options	Commencing from the first trading day upon the expiry of 60 months from the first Grant Date to the last trading day upon the expiry of 72 months from the first Grant Date	20%

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Upon the expiry of the 12-month period from the Grant Date of Share Options reserved under the Incentive Scheme, subject to the satisfaction of the Exercise Conditions, the Participants may exercise the reserved Options in five phases, with specific Exercise arrangement as follows:

Exercise arrangement	Exercise schedule	Proportion of exercisable options to granted options
First Exercise Period of the reserved grant of Share Options	Commencing from the first trading day upon the expiry of 12 months from the reserved Grant Date to the last trading day upon the expiry of 24 months from the reserved Grant Date	20%
Second Exercise Period of the reserved grant of Share Options	Commencing from the first trading day upon the expiry of 24 months from the reserved Grant Date to the last trading day upon the expiry of 36 months from the reserved Grant Date	20%
Third Exercise Period of the reserved grant of Share Options	Commencing from the first trading day upon the expiry of 36 months from the reserved Grant Date to the last trading day upon the expiry of 48 months from the reserved Grant Date	20%
Fourth Exercise Period of the reserved grant of Share Options	Commencing from the first trading day upon the expiry of 48 months from the reserved Grant Date to the last trading day upon the expiry of 60 months from the reserved Grant Date	20%

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Exercise arrangement	Exercise schedule	Proportion of exercisable options to granted options
Fifth Exercise Period of the reserved grant of Share Options	Commencing from the first trading day upon the expiry of 60 months from the reserved Grant Date to the last trading day upon the expiry of 72 months from the reserved Grant Date	20%

(5) Lock-up Period of the Incentive Scheme

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

1. Where a Participant is a Director or a member of the senior management of the Company, the number of Shares of the Company which may be transferred by the Participant each year during his/her term of office shall not exceed 25% of the total number of the Shares of the Company held by him/her. No Shares of the Company held by him/her shall be transferred within six months after his/her termination of office.
2. Where a Participant is a Director or a member of the senior management of the Company and he/she disposes of any Shares of the Company within six months after acquisition or buys back such Shares within six months after disposal, all gains arising therefrom shall belong to the Company and the Board will collect all such gains.
3. If, during the Validity Period of the Incentive Scheme, there is any amendment to the requirements regarding transfer of Shares by a Director or a member of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the Shares transferred by the Participants during the relevant times.

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VII. The Exercise Price of the Share Options and the Basis of Determination

(1) Exercise Price of the Share Options under the first grant

The Exercise Price of the Share Options under the first grant shall be RMB25.99 per Share. Upon fulfilment of the Exercise Conditions, each Participant is entitled to purchase one A ordinary Share at the price of RMB25.99 per Share for each Share Option he/she is granted.

(2) Basis of determination for the Exercise Price of the Share Options under the first grant

The Exercise Price of the Share Options under the first grant is not lower than the carrying amount of the Shares, nor lower than the higher of the followings:

1. the average trading price of the A Shares (i.e. RMB23.79 per Share) on the trading day (i.e. 29 July 2021) preceding the announcement of the Incentive Scheme.
2. the average trading price of the A Shares (i.e. RMB25.99 per Share) for the last 20 trading days (including 29 July 2021) preceding the announcement of the Incentive Scheme.

(3) Exercise Price of the Share Options under the Reserved Portion

Prior to each authorization of Share Options, a Board meeting is required to consider and approve the relevant resolutions and disclose the status of the grant. The Exercise Price of the Share Options under the Reserved Portion shall be RMB25.99 per Share, which means upon fulfilment of the Exercise Conditions, each Participant is entitled to purchase one A ordinary Share at the price of RMB25.99 per Share for each Share Option he/she is granted.

(4) Basis of determination for the Exercise Price of the Reserved Share Options

The Exercise Price of the Reserved Share Options shall not be lower than the carrying amount of the Shares, and not lower than the higher of the followings:

1. the average trading price of the A Shares (i.e. RMB23.79 per Share) on the trading day (i.e. 29 July 2021) preceding the announcement of the Incentive Scheme.
2. the average trading price of the A Shares (i.e. RMB25.99 per Share) for the last 20 trading days (including 29 July 2021) preceding the announcement of the Incentive Scheme.

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VIII. Conditions on Grant and Exercise of the Share Options

(1) Conditions on grant of the Share Options

Share Options may be granted to the Participants by the Company upon satisfaction of all of the following conditions. In other words, Share Options cannot be granted to the Participants if any of the following conditions of grant is not satisfied.

1. There is no occurrence of any of the following events on the part of the Company:
 - 1) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - 2) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - 3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months;
 - 4) prohibition from implementation of a share incentive scheme by laws and regulations;
 - 5) other circumstances determined by the CSRC.
2. There is no occurrence of any of the following events on the part of the Participants:
 - 1) he or she has been determined by the Shanghai Stock Exchange as an ineligible person in the last 12 months;
 - 2) he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
 - 3) he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
 - 4) he or she is prohibited from acting as a director or a member of the senior management as required by the Company Law;

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- 5) he or she is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
- 6) he or she is under other circumstances determined by the CSRC.

(2) Conditions on Exercise of the Share Options

During the Exercise Period, the following conditions must be fulfilled before the Share Options granted to the Participants can be exercised:

1. There is no occurrence of any of the following events on the part of the Company:
 - 1) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - 2) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - 3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months;
 - 4) prohibition from implementation of a share incentive scheme by laws and regulations;
 - 5) other circumstances determined by the CSRC.

In case the Company has any of the circumstances specified above, the Share Options that have been granted to the Participant under the Scheme but have not been exercised shall be cancelled by the Company.

2. There is no occurrence of any of the following events on the part of the Participants:
 - 1) he or she has been determined by the Shanghai Stock Exchange as an ineligible person in the last 12 months;
 - 2) he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;

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- 3) he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
- 4) he or she is prohibited from acting as a Director or a member of the senior management as required by the Company Law;
- 5) he or she is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
- 6) he or she is under other circumstances determined by the CSRC.

In case one of the Participants has any of the circumstances specified above, the Company shall terminate his/her right to participate in the Incentive Scheme, and cancel the Share Options that have been granted to the Participant under the Incentive Scheme but have not been exercised.

3. Performance appraisal at company level

From the accounting year 2021 to 2025, annual appraisal on the Company's performance (the appraisal year for the Reserved Share Options may be from 2022 to 2026, depending on the specific Grant Date) will be conducted under the Incentive Scheme, in which the fulfillment of the performance appraisal target is one of the Exercise Conditions for that year of the Participants. The performance appraisal target for Share Options under the first grant is as follows:

Exercise Period	Performance appraisal target
First Exercise Period of the first grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2021 over adjusted net profit attributable to the parent company in 2020 reaches or exceeds 30%
Second Exercise Period of the first grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

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Exercise Period	Performance appraisal target
Third Exercise Period of the first grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fourth Exercise Period of the first grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fifth Exercise Period of the first grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

If the Reserved Share Options reserved for grant are granted on or before 31 December 2021, the performance appraisal target for each year for the Reserved Share Options is as follows:

Exercise Period	Performance appraisal target
First Exercise Period of the reserved grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2021 over adjusted net profit attributable to the parent company in 2020 reaches or exceeds 30%
Second Exercise Period of the reserved grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Third Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

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Exercise Period	Performance appraisal target
Fourth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fifth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

If the Reserved Share Options are granted after and excluding 31 December 2021, the performance appraisal target for each year for the Reserved Share Options is as follows:

Exercise Period	Performance appraisal target
First Exercise Period of the reserved grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Second Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Third Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fourth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

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Exercise Period	Performance appraisal target
Fifth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2026 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Note 1: The “net profit attributable to the parent company” described above represents audited net profit attributable to the parent company after excluding the one-off impact on profit or loss arising from any material asset disposal/acquisition (if any) for the year. In this regard, with reference to relevant requirements in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange, material asset disposals and acquisitions are defined as: ① material asset disposals and acquisitions with an individual transaction amount representing over 5% (inclusive) of the latest audited net asset attributable to the parent company of the listed company, or ② asset with a net profit arising from an individual transaction or net profit of target acquisition representing over 5% of the latest audited net profit attributable to the parent company of the listed company.

Note 2: Calculation of the “2020 adjusted net profit attributable to the parent company”: the Company completed a material asset restructuring in the privatization of HEG on 23 December 2020. Assuming this material asset restructuring had been completed on 1 January 2019 and HEG had become a wholly-owned Subsidiary of the Company and had then delisted from The Stock Exchange of Hong Kong Limited, also excluding the audited one-off net gain from the disposal of 54.5% equity interests in Haier COSMO IoT Ecosystem Technology Co., Ltd. (海爾卡奧斯物聯生態科技有限公司) (“COSMOPlat”) in 2020 of RMB2,270 million, and tax expenses arising from the disposal of COSMOPlat in 2020 of RMB625 million (i.e. a net gain from the disposal of COSMOPlat of RMB1,640 million), the Company's 2020 adjusted net profit attributable to the parent company amounted to RMB9,520 million. The calculation of “2020 adjusted net profit attributable to the parent company” is same as defined under the 2021 A Share Employee Stock Ownership Plan and 2021 H Share Employee Stock Ownership Plan. More details about the calculation were disclosed in the Company's circular for the 2020 Annual General Meeting dated 4 June 2021 in relation to, among others, the 2021 A Share Employee Stock Ownership Plan and 2021 H Share Employee Stock Ownership Plan.

4. Performance appraisal at individual level

The Exercise of Options is also subject to the Participants achieving pass or above in the individual performance appraisal in the preceding year. Share Options that are not exercisable in each exercise period after the year of appraisal by the Participants will be cancelled by the Company.

(3) Determination of performance indicating grade

In order to achieve the Company's strategic target, continuously improve operation and boost the Company's overall competitiveness, the Share Options incentive performance appraisal period spans from 2021 to 2025 (the appraisal year for the Reserved Share Options may be from 2022 to 2026, depending on the specific Grant Date), the performance appraisal indicator is the growth rate of the net profit attributable to the parent company in the appraisal year over the base period. Such indicator should directly reflect the operating condition and profitability of the core business of the Company.

The performance indicators in the Incentive Scheme has in general taken into consideration factors such as the existing condition, future strategic plan and industry development of the Company. These challenging performance indicators are set in order to help improve the Company's competitiveness and employees' complementation, work and focusing on the Company's future strategic development and generating more efficient and sustainable returns to Shareholders.

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

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

IX. Methods and Procedures for Adjustment of the Incentive Scheme

(1) Methods of adjusting the number of Share Options

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company during the period starting from the date of the announcement of the Incentive Scheme to the completion date of the registration of the Shares issued upon the Exercise of Share Options by Participants, the number of Share Options shall be adjusted accordingly. The adjustment methods are as follows:

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

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

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Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of increase per Share resulting from capitalization issue, bonus issue or subdivision of share capital (i.e. the increase in number of Shares per Share upon capitalization issue, bonus issue and sub-division of the share capital); Q represents the adjusted number of Share Options.

2. Rights issue

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

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

3. Share consolidation

$$Q = Q_0 \times n$$

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

4. Additional issues

In the event of additional issues, no adjustment will be made to the number of the Share Options.

(2) Method of adjusting the Exercise Price of the Share Options

In the event that any issue of Shares by dividend distribution, capitalisation issue, bonus issue, sub-division, rights issue or consolidation of Shares or dividend distribution has been made by the Company during the period starting from the date of the announcement of the Incentive Scheme to the completion date of the registration of the Shares issued upon the Exercise of Share Options by Participants, an adjustment to the Exercise Price of Share Options shall be made by the Company accordingly, provided that the adjustment does not result in an Exercise Price lower than the par value of the Share. The adjustment method is as follows:

1. Capitalisation issue, bonus issue and sub-division of Shares

$$P = P_0 / (1 + n)$$

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Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of increase per Share resulting from capitalisation issue, bonus issue and subdivision of Shares; P represents the adjusted Exercise Price.

2. Rights issue

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

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

3. Share consolidation

$$P = P_0 / n$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted Exercise Price.

4. Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Exercise Price before the adjustment; V represents the dividend per Share; P represents the adjusted Exercise Price. P shall be greater than 1 after the dividend distribution.

5. Additional issue

Under the circumstance of additional issue of new Shares, no adjustment will be made on the Exercise Price of the Share Options.

(3) *Adjustment procedures for the Incentive Scheme of Share Options*

The general meeting of the Company shall authorize the Board to adjust the number and the Exercise Price of Share Options for reasons specified in the Scheme. After the Board adjusts the number and the Exercise Price of the Share Options, it shall promptly make announcement and notify the Participants in accordance with the relevant provisions, and perform the information disclosure procedures. The Company shall engage a lawyer to give professional advice to the Board on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme.

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If, for other reasons, it is necessary to adjust the number, the Exercise Price or other terms of Share Options, the Company shall engage a lawyer to give professional advice to the Board on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme, subject to consideration and approval of the general meeting.

X. Accounting Treatment of Share Options and Cost Estimation

(1) Accounting treatment

In accordance with the Accounting Standards for Enterprises No.11 — Share-based Payment and its interpretation issued by the Ministry of Finance on 15 February 2006, the Company's main accounting policies for granting Share Options to the Participants are as follows:

If the equity-settled share-based payment is exchanged for the Participants to provide services, it shall be measured by the fair value of the equity instruments granted to the Participants. The fair value of the equity instruments shall be determined in accordance with the Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments.

For equity-settled share-based payment in exchange for Participants' services or other parties' similar services after completing the services within the Vesting Period or meeting the prescribed performance conditions, on each balance sheet date within the Vesting Period, based on the best estimate of the number of feasible equity instruments, the services obtained in the current period are included in the relevant costs or expenses and the capital reserve according to the fair value of the equity instruments on the Grant Date.

In accordance with the following accounting treatment, the Company shall measure and account for the cost of the Share Option Incentive Scheme of the Company:

1. Accounting treatment on the Grant Date: since the Share Options cannot be exercised on the Grant Date, no related accounting treatment is required. The Company will use the Black-Scholes Model (hereinafter referred to as the "B-S Model" to determine the fair value of the Share Options on the Grant Date.
2. Vesting Period Accounting Treatment: The Company includes the services for the current period in costs or expense on each balance sheet date during the Vesting Period based on the best estimate of the number of exercisable Share Options and the fair value of the Share Options on the Grant Date and recognize in "Capital reserve — other capital reserve".

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3. Subsequent to Exercisable Date Accounting Treatment: No adjustment shall be made to the relevant costs or expense, and the total amount of the owner's equities, which have been recognized.
4. On the Exercisable Date Accounting Treatment: Based on the Exercise of the Share Options, share capital and share premium shall be recognized and the "Capital reserve-other capital reserve" recognized during the Vesting Period shall be transferred to "Capital reserve — capital premium".

For granted Options and other equity instruments with an active market, the fair value of the equity instruments is determined at the active market quotations. For granted Options and other equity instruments with no active market, an Option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall at least be taken into account using Option pricing models:

1. the Exercise Price of the Option;
2. the Validity Period of the Option;
3. the current market price of the underlying Shares;
4. the historic volatility of the Share price;
5. predicted dividend of the Share;
6. risk-free rate of the Option within the Validity Period.

(2) Estimation of the total cost of the Share Options

1. The Company uses the B-S Model to determine the fair value of the Share Options

The B-S Model is based on 6 variables: the current market price of the underlying Shares (S), the Exercise Price of the Option (K), risk-free rate (r), the Validity Period of the Option (t), the historic volatility of

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the Share price (σ) and the dividend yield of the underlying Shares (i). Changes in these six variables affect the change in the value of the Share Options. The option pricing formula of the B-S Model is as follows:

$$C(S, K, r, t, \sigma) = Se^{-it} \phi(d_1) - Ke^{-rt} \phi(d_2)$$

$$d_1 = \frac{\ln(\frac{S}{K}) + (r + \frac{1}{2}\sigma^2)t}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

2. Selected parameters for calculating the value of the Share Options of the Company
 - 1) Share Price (S): RMB23.70 per Share (assuming the Grant Date of the Scheme is 29 July 2021).
 - 2) Exercise Price (K): RMB25.99 per Share.
 - 3) Risk-free Rate (r): Based on the yield to maturity of the Chinese government bond from Bloomberg, the risk-free yield is 2.21% for the first year, 2.51% for the second year, 2.62% for the third year, 2.68% for the fourth year and 2.74% for the fifth year, where the risk-free yield for the fourth year is the arithmetic average of the risk-free yields of the third year and the fifth year.
 - 4) Validity Period of the Option (t): 1 year, 2 years, 3 years, 4 years and 5 years, respectively (the period from the Grant Date to the first date of Exercise for each respective period).
 - 5) Historic Volatility (σ): 0.4413 (1 year); 0.3868 (2 years); 0.3859 (3 years); 0.3750 (4 years); 0.3542 (5 years). In calculating the historical volatility, the selected range is the Company's continuous closing price for the last 5 years. Meanwhile, the respective historical volatility for the past 1, 2, 3, 4 and 5 years is calculated based on the difference during the Vesting Period.
 - 6) Dividend Yield (i): 1.5443%, based on the dividend yield from Bloomberg on the Valuation Date (now 29 July 2021), calculated by dividing dividends per Share by the closing price on the Grant Date.

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Based on the above pricing model, the total theoretical value of the Company's 51 million Options granted under the Incentive Scheme is RMB262 million, representing the cost of the Share Options to be amortized is RMB262 million, which will be amortized over the Vesting Period of the Incentive Scheme. Assuming that the Company granted Options on 29 July 2021, and that the accounting for the Reserved Portion of Options is the same as the accounting for the first grant portion of Share Options, the amortization of the Share Options costs for 2021–2026 would be as follows (in RMB million):

Number of the Share Options granted ('000)	Total cost to be amortized	2021	2022	2023	2024	2025	2026
51,000	262	44	88	60	40	22	8

Notes:

1. The above amortization cost projections do not represent the actual accounting costs. The actual accounting costs depend on the effective Grant Date, the closing price on the Grant Date and the number of grants, as well as the actual effective and lapsed quantities.
2. The actual result of the impact of the above amortization cost projections on the Company's operating results will be subject to the annual audit report issued by the accounting firm.

As the above-mentioned valuation results on the value of the Share Options are obtained based on assumptions of the above parameters and are subject to the valuation model adopted, the results may involve subjective views and uncertainties and therefore, such valuation results shall not be referred to as basis of accounting treatments. The fair value of the Share Options to be used in cost calculation needs to be calculated afresh by collecting the instant market data on the Grant Date upon the actual completion of the Grant.

XI. Implementation Procedures of the Share Option Incentive Scheme

(1) Procedures for the Share Option Incentive Scheme to Take Effect

1. The Remuneration and Appraisal Committee is responsible for preparing the Incentive Scheme, Appraisal Management Measures.
2. The Board shall consider the Incentive Scheme, Appraisal Management Measures prepared by the Remuneration and Appraisal Committee. When the Board considers the Incentive Scheme, any Director who is also a Participant or is a related party to a Participant shall abstain from voting. After the Board reviewed

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and approved the Incentive Scheme and performed the publicity and announcement procedure, it should propose the Incentive Scheme to the general meeting for review and approval; at the same time, it shall propose to the general meeting to authorize and execute the grant, Exercise and cancellation of the Share Options.

3. The Independent Directors and the Supervisory Committee shall issue opinions in respect of whether the Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and Shareholders as a whole.
4. The Company shall, within two trading days after the Incentive Scheme is considered and passed by the Board, publish an announcement of the Board resolution, announcing a summary of the Incentive Scheme, opinion of the Independent Directors and opinion of the Supervisory Committee.
5. The Company should carry out self-investigation on the trading of shares of the Company by insiders during the 6 months' period prior to the announcement of the Incentive Scheme. Those who trade in the Shares of the Company while possessing inside information (except where laws, administrative regulations and relevant judicial interpretations deem not to be insider transaction) shall not become Participants. Those who leak inside information which causes insider transaction to take place shall not become Participants.
6. The Company shall internally publish the names and the positions of the Participants before the EGM and Class Meetings are convened through its website or other channels for a period of no fewer than 10 days. The Supervisory Committee shall verify the list of the Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the Supervisory Committee on the verification and the public opinions in relation to the list of the Participants 5 days before the Incentive Scheme is considered at the EGM and Class Meetings.
7. When the EGM and Class Meetings of the Company are convened to vote on the Incentive Scheme, the Independent Directors shall solicit proxy voting rights from all Shareholders regarding the Incentive Scheme. At the EGM and Class Meetings, it is required to vote on the content of the Share Incentive Scheme under Article 9 of the Administrative Measures, and the Incentive Scheme shall be passed by more than two-thirds of the voting rights held by the Shareholders present at the meeting. Except for the Directors, Supervisors and senior management of the Company, as well as the

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Shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other Shareholders shall be separately counted and disclosed.

When the Incentive Scheme is considered at the EGM and Class Meetings of the Company, Shareholders who are Participants or Shareholders who have a related relationship with the Participants shall abstain from voting thereon.

8. The Company shall disclose the announcement on the resolutions of the general meeting, the Incentive Scheme approved by the EGM and Class Meetings, and the self-examination report and legal opinions of the general meeting on the insiders' trading of the Shares of the Company.
9. After the Incentive Scheme has been considered and approved at the EGM and Class Meetings of the Company, the Board of the Company shall, according to the authorisation of the general meeting, grant entitlements and complete the registration and announcement procedures within 60 days from the date of consideration and approval of the Incentive Scheme at the EGM and Class Meetings. The Board shall handle the grant, Exercise and cancellation of the Share Options and other matters according to the delegation of the general meeting.

(2) Procedures for Grant of Share Options

1. Upon consideration and approval of the Incentive Scheme at the EGM and Class Meetings, the Company shall sign an Agreement on Grant of Share Options of A Share in 2021 with the Participants in order to define their respective rights and obligations. If a Participant fails to sign an Agreement on Grant of Share Options of A Share in 2021, he/she shall be deemed to have automatically abandoned his/her rights and obligations.
2. The Remuneration and Appraisal Committee shall consider whether the conditions stipulated under the Incentive Scheme for the Participant to receive entitlements have been satisfied before the Company grants such entitlements to such Participants, and report to the Board for their approval. The Remuneration and Appraisal Committee is composed of Independent Non-executive Directors Mr. CHIEN Da-Chun, Mr. LI Shipeng, and Mr. WU Qi, Non-executive Director Mr. WU Changqi, and Executive Director Mr. LIANG Haishan. Mr. LIANG Haishan will abstain from voting on the resolutions relating to the Incentive Scheme at the meetings of the Remuneration and Appraisal Committee and the Board. The Board shall consider and announce whether the conditions for the Participants to be granted entitlements set out

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by the Incentive Scheme are fulfilled. The Independent Directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the Participants to receive such entitlements are fulfilled or not.

3. The Supervisory Committee of the Company shall verify the list of Participants on the Grant Date of the Share Options and issue their views on such verification.
4. If there is any discrepancy between the grant of entitlements to the Participants made by the Company and the arrangement of the Incentive Scheme, the Independent Directors, the Supervisory Committee (where there is a change of the Participants), the law firm, shall all express their views explicitly at the same time.
5. The Company shall make a grant to the Participants and complete the announcement and registration procedures within 60 days (excluding the period during which no grant of entitlements is allowed pursuant to the requirements under laws and regulations) after the Incentive Scheme is considered and approved at the EGM and Class Meetings. The Board of the Company shall disclose the implementation thereof timely by way of announcement after completion of the registration of the grant. In the event the Company fails to complete the procedures mentioned above within such 60 days, the Scheme shall be terminated, and the Board shall disclose the reason for such failure timely and shall not be allowed to consider the Incentive Scheme within the following three months.
6. The Company shall make an application to the Shanghai Stock Exchange first before any entitlements are granted, and the securities registration and clearing institution will conduct registration procedure thereof upon confirmation by Shanghai Stock Exchange.
7. The authorization procedures for the entitlements of the Reserved Portion of the Company shall be implemented with reference to the first grant procedures. The target of grant of the reserved entitlements shall be specified within 12 months after the approval of this Incentive Scheme by the Shareholders at the EGM and Class Meetings. If the Participant is not identified after 12 months, the reserved entitlements shall lapse.

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(3) Procedures for Exercise of the Share Options

1. The Company shall confirm whether a Participant satisfies the Exercise Conditions before the date of Exercise. The Board shall consider and review whether the Exercise Conditions as set out in the Scheme have been satisfied. The Independent Directors and the Supervisory committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the Exercise of Share Options by the Participants are fulfilled or not. For the Participants who satisfy the Exercise Conditions, the Company may provide a unified or autonomous method of Exercise to the Participants according to the actual situation, and for the Participants who fail to satisfy the Exercise Conditions, the Company shall cancel their Share Options corresponding to the respective Exercise. The Company shall disclose the implementation thereof timely by way of announcement.
2. A Participant may transfer the Shares of the Company obtained pursuant to the Exercise of Share Options, but the transfer of Shares held by the Directors and senior management of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.
3. The Company shall make an application to the Shanghai Stock Exchange before any Share Option is exercised, and the securities registration and clearing institution will conduct registration procedure thereof upon confirmation by the Shanghai Stock Exchange.
4. If the registered capital is designed to change upon the Exercise of Share Options by the Participants, the Company shall handle the registration procedures in relation to the changes of the Company with the industry and commerce registration department.

(4) Procedures for Amendment of the Incentive Scheme

1. If the Company intends to amend the Scheme before it is considered at the general meeting, such amendment shall be considered and approved by the Board.
2. If the Company intends to amend the Scheme after it is considered and approved at the general meeting, such amendment shall be considered and determined at the general meeting given that such amendment shall not result in the following:
 - 1) Exercise of the Share Options ahead of schedule;
 - 2) reducing the Exercise Price.

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3. The Independent Directors and the Supervisory Committee of the Company shall give independent opinions as to whether the amendments are conducive to the sustainable development of the Company or are significantly detrimental to the interests of the Company and the Shareholders as a whole. A law firm shall issue professional opinions as to whether the amendments to the Scheme are in compliance with the requirements of the Administrative Measures and relevant laws and regulations or are significantly detrimental to the interests of the Company and the Shareholders as a whole.

(5) Procedures for Termination of the Incentive Scheme

1. If the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the general meeting, such termination shall be considered and approved by the Board.
2. If the Company intends to terminate the implementation of the Scheme after it is considered and approved at the general meeting, such termination shall be considered and approved at general meeting. If the Company's general meeting or the Board meeting considers and approves the resolution to terminate the implementation of the Incentive Scheme, it shall not be allowed to review the Incentive Scheme in the following 3 months from the date of the announcement of the resolution.
3. A law firm shall issue professional opinions as to whether the termination of the Incentive Scheme by the listed company is in compliance with the requirements of the Administrative Measures and relevant laws and regulations or is significantly detrimental to the interests of the listed company and the Shareholders as a whole.
4. Where the Incentive Scheme is terminated, the Company shall timely apply to the China Securities Depository and Clearing Corporation Limited for the cancellation of the granted Share Options after performing relevant consideration procedures.

XII. Respective Rights and Obligations of the Company/Participants

(1) Rights and Obligations of the Company

1. The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Participants based on the requirements under the Incentive Scheme. If a Participant fails to fulfill the Exercise Conditions required under the Incentive Scheme, the Company will cancel the

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Share Options which have been granted to but not yet exercised by the Participants in accordance with the principles under the Incentive Scheme.

2. The Company shall have the right to require the Participants to work for the Company according to the requirements for their positions. If a Participant is not competent at his/her job or fails the appraisal, after obtaining the approval of the Remuneration and Appraisal Committee of the Board of the Company and filing a report thereon with the Board, the Company may cancel the Share Options which have not yet been exercised by the Participants.
3. If the Participants violate the laws and professional ethics, leak confidential information of the Company, and are negligent or have gross misconduct in the performance of duties which may cause serious damage to the interests or reputation of the Company, after obtaining the approval of the Remuneration and Appraisal Committee of the Board of Directors and filing a report thereon with the Board, the Company may cancel the Share Options which have not yet exercised by the Participants.
4. The Company undertakes not to provide loans and financial support in any other forms, including but not limited to providing guarantee for loans, to the Participants for acquiring the Share Options under the Incentive Scheme.
5. The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Incentive Scheme in accordance with the relevant requirements.
6. The Company shall actively support the Participants who have fulfilled the Exercise Conditions to handle matters related to the Exercise of the Share Options in accordance with the relevant requirements, including those of the Incentive Scheme, the CSRC, the Shanghai Stock Exchange, China Securities Depository and Clearing Corporation Limited. However, the Company disclaims any liability for losses incurred by the Participants who fail to exercise the Share Options at their own will due to reasons caused by the CSRC, the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited.
7. The Company confirms that the eligibility of the Participants under the Incentive Scheme does not represent the right of such Participants to continue to serve the Company during the Validity Period of the Scheme and does not constitute a commitment of employment for a fixed term by the Company.

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The employment relationship between the Company and the Participants is still governed by the employment contract between the parties.

8. Other relevant rights and obligations under the laws, regulations and regulatory documents.

(2) Rights and Obligations of the Participants

1. A Participant shall comply with the requirements of his/her position as stipulated by the Company and shall work diligently and responsibly, strictly observe professional ethics, and make contributions to the development of the Company.
2. The source of funds shall be self-financed by the Participants.
3. The Share Options granted to the Participants shall not be transferred or used as a guarantee or for repayment of debts.
4. Any gains of the Participants generated from the Incentive Scheme are subject to individual income tax and other taxes under relevant requirements of tax laws and regulations of the state. The Company withholds individual income tax and other taxes payable by the Participants according to the requirements of tax laws and regulations of the state.
5. The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with the condition of grant or arrangements for Exercise of the entitlements, the Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements or misleading representations or material omissions.
6. Upon consideration and approval of the Incentive Scheme at the EGM and Class Meetings of the Company, the Company will sign an Agreement on Grant of the A Share Options in 2021 with each Participant in order to define their respective rights and obligations under the Incentive Scheme and other relevant matters.
7. Other relevant rights and obligations under the laws, regulations and the Incentive Scheme.

The Share Options granted to the Participants are not entitled to voting rights and decision-making rights and will not involve in the distribution of bonus shares and dividends before being exercised. The Participants who are

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allocated Shares upon Exercise of the Share Options shall comply with all the articles of the Articles of Association, and shall be entitled to voting rights, profit distribution rights, share transfer rights, liquidation and other related rights in all respects pro-rata.

XIII. Changes to and Termination of the Share Option Incentive Scheme, Handling of the following events of the Company

(1) Handling of the following events of the Company

1. In the event of change of control, merger or split of the Company for any reason, the Share Options that have been granted shall not be changed, and the Board under the authorization of the general meeting shall determine the continuation, amendment, suspension or termination of the Scheme.
2. The Incentive Scheme shall be terminated if any of the following events occurs to the Company, and the Share Options which have been granted to the Participants but not yet exercised shall not be exercised and shall be cancelled by the Company:
 - 1) issue of an auditors' report with adverse opinions or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - 2) issue of an auditors' report with adverse opinions or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - 3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 - 4) prohibition from the implementation of a share incentive scheme by laws and regulations;
 - 5) other circumstances under which the Incentive Scheme shall be terminated as determined by the CSRC.
3. Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with grant conditions or Exercise arrangements of the Share Options, all the Share Options that have not been granted shall not be granted. The Share Options which have been granted by not yet exercised shall be cancelled by the Company uniformly. In respect of the Share

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Options granted to Participants and already exercised by the Participants, the Participants concerned shall return to the Company all interests granted.

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

4. In the event of any political and policy risks, serious natural calamities and other force majeure during the Vesting Period and Exercise Period of the Incentive Scheme, the occurrence of which is beyond the control of the Company's management, the Board may terminate the Incentive Scheme.

(2) Handling of the following events of the Participants

1. If the Participants are demoted but still meet the incentive conditions after demotion, the Share Options that may be exercised shall also be re-determined accordingly, and the Share Options so reduced shall be cancelled. If the Participants are demoted and no longer meet the incentive conditions as stipulated in the Scheme after demotion, the Share Options that are exercisable shall be exercisable in a normal manner, and the Share Options that have been granted but not yet exercisable shall be cancelled by the Company.
2. If any of the following circumstances occurs to a Participant, his/her Share Options that have been granted shall be handled in accordance with the procedures under the Incentive Scheme, and the performance appraisal at individual level will no longer be included in the Exercise Conditions:
 - 1) civil incapacity arising out of work;
 - 2) death arising out of work.
3. Retirement of Participants
 - 1) Where Participants leave the Company due to retirement, their Share Options for which the Exercise Conditions have been met shall be handled as per the procedures under the Incentive Scheme prior to the retirement. Share Options of the Participants granted but for which the Exercise Conditions have not been met shall not be exercised and shall be cancelled by the Company.

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- 2) If the Participants are re-employed after retirement, Share Options granted to them shall be handled fully according to the procedures specified in the Scheme before their retirement.
4. The Share Options that have been granted but not yet exercisable shall be cancelled by the Company if the labour contract of a Participant is terminated or dismissed by the Company due to reasons other than the above Paragraph (2) and Paragraph (3).
5. If any of the following circumstances occurs, the Share Options which have been approved for Exercise shall be exercised expeditiously (exercised within 3 months) or waived, and the Share Options which have been granted but not yet approved for Exercise shall be cancelled by the Company:
 - 1) When a Participant holds a position in a wholly-owned or controlled Subsidiary of Haier Smart Home Co., Ltd., but Haier Smart Home Co., Ltd. loses control of the Subsidiary and the Participant still works in the Subsidiary;
 - 2) When a Participant serves as a Supervisor or an Independent Director or holds other position due to redesignation that prohibits him/her from holding the Company's Share Options.
6. Where a Participant causes serious loss to the Company due to violation of laws, regulations or the Company's policy during his/her term of office and thus terminates his/her labour relationship with the Company, the Company shall cancel the Share Options granted but not exercised, and the Share Options that have been granted but not yet exercised shall not be exercised, and the Company may require the Participant to return the proceeds from the exercised Share Options.
7. Where a Participant after his/her termination of office causes serious loss to the Company due to violation of competition restrictions, breaching the Company's policy or major work problems identified after his/her termination of office, the Company shall have the right to require the Participant to return all the proceeds obtained under the Incentive Scheme.
8. In the implementation process of the Scheme, if a Participant is prohibited from being the Participant due to the circumstances as stipulated in Article 8 of the Administrative Measures, the Company shall not continue to grant him/her the rights and interests, and the Share Options that have been granted but not yet exercised shall not be exercised.

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9. Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Appraisal Committee.

(3) Resolution of Disputes between the Company and the Participants

Any dispute arising out of the implementation of the Incentive Scheme and/or the Agreement on Grant of Share Options of A Share in 2021 signed by the Company and the Participants or any dispute in relation to the Incentive Scheme and/or the Agreement on Grant of Share Options of A Share in 2021 shall be settled by negotiation and communication between the parties or through mediation conducted by the Remuneration and Appraisal Committee of the Board of the Company. If relevant disputes fail to be settled through the abovementioned methods within 60 days from the date of occurrence of the disputes, either party is entitled to file a lawsuit with the people's court with jurisdiction in the place where the Company is located.

XIV. Funding Arrangement for the Participants for Exercise of the Share Options and Payment of Individual Income Tax

The Participants shall arrange their own capital for Exercise of the Share Options and payment of individual income tax. The Company undertakes not to provide loans and financial assistance in any other forms, including but not limited to guarantee for loans, to the Participants for the purpose of obtaining the underlying Share Options under the Incentive Scheme.

XV. General Information

Information of the Company

The Company is a joint stock company incorporated in the PRC with limited liability, whose A Shares are listed on the Shanghai Stock Exchange, whose D Shares are listed on the Frankfurt Stock Exchange and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange. The Company is a leading provider of home appliances and smart home solutions in the world. The Company's main businesses include the R&D, production and sales of smart home appliances such as refrigerators/freezers, washing machines, air conditioners, water heaters, kitchen appliances, small home appliances, and smart home scenario solutions. It creates whole scenario smart life experience with its rich product, brand and solution portfolio to meet the needs of users pursuing a better life.

XVI. Implications under the Hong Kong Listing Rules

The Share Option Incentive Scheme constitutes a share option scheme under Chapter 17 of the Hong Kong Listing Rules. Pursuant to Rule 14A.92(3)(a) of the Hong Kong Listing Rules, the grant of Share Options to any Participants who are Connected Persons of the Company under the Incentive Scheme is exempted from

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the requirements of reporting, announcement and Independent Shareholder's approval. According to the Note (1) of Rule 17.03(9) of the Hong Kong Listing Rules, the exercise price of relevant share options must be at least the higher of: (i) the closing price of the securities on the date of granting the options; and (ii) the average closing price of the securities for the five business days preceding the date of granting the options. However, the relevant PRC laws and regulations require that the exercise price under share option schemes shall be the higher of: (i) the average trading price of the A shares on the trading day immediately preceding the date of announcement of the share option schemes; and (ii) the average trading price of the A shares for the 20, 60, or 120 trading days immediately preceding the date of announcement of the share option schemes. Since the Share Options to be granted under the Scheme involve A Shares only, and that the Exercise Price must be determined based on the relevant PRC laws and regulations, the Company has applied to the Hong Kong Stock Exchange for and has obtained a waiver from strict compliance with Note (1) of Rule 17.03(9).

Pursuant to the Incentive Scheme, in the event that any issue of Shares by dividend distribution, capitalisation issue, bonus issue, sub-division, rights issue or consolidation of Shares or dividend distribution has been made by the Company during the period starting from the date of the announcement of the Incentive Scheme to the completion date of the registration of the Shares issued upon the exercise of Share Options by Participants, an adjustment to the Exercise Price of Share Options shall be made by the Company accordingly, provided that the adjustment does not result in an exercise price lower than the par value of the Share. Rule 17.03(13) of the Hong Kong Listing Rules requires that the scheme document must include a provision for adjustment to the exercise price or the number of securities subject to options already granted and to the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital. Note to Rule 17.03(13) of the Listing Rules states that any adjustment required under Rule 17.03(13) must give the Participants the same proportion of the equity capital as that to which that person was previously entitled.

The Stock Exchange issued a letter to the Issuer on 5 September 2005 to clarify the interpretation of Rule 17.03(13) of the Listing Rules. It was stated in the letter that:

- (I) Rule 17.03(13) permit restricted adjustments to be made to the exercise price of share options in the event of certain corporate activities.
- (II) The overriding principle is that no adjustment to the exercise price of number of shares should be to the advantage of Participants without specific prior shareholders' approval. The adjustment should have a neutral impact or worse from the perspective of the Participants. Another way of looking at this is that no adjustments should be made that would increase the aggregate intrinsic value of the outstanding

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options. The intrinsic value is the difference between the market price (or theoretical ex-entitlement price) of shares under option and the exercise price (or revised exercise price) of the option.

(III) Examples of permitted adjustments include capitalisation or bonus issue, rights issue, open offer, sub-division and consolidation of Shares.

The Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 17.03(13) of the Listing Rules so as to enable the adjustments to the exercise price of the Share Options granted under the Incentive Scheme in the event of dividend distribution on the basis that, among other things, (i) the Company is a PRC issuer, the Incentive Scheme involve issue of A Shares only and the Incentive Scheme must comply with PRC laws; (ii) as advised by the Company's PRC legal advisors, Zhong Lun Law Firm, the adjustments to the exercise price of the Share Options granted under the Incentive Scheme in the event of dividend distribution are required by the currently effective PRC regulation (i.e. Article 48 of the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》); (iii) the proposed adoption of the Share Option Incentive Scheme will be subject to the approval of the Shareholders at the Shareholders' Meetings, whereby the H Shareholders will have the opportunity to fully consider and evaluate the terms of the Incentive Scheme based on its merits and the interest of the H Shareholders will not be prejudiced; (iv) the number of A Share Options proposed to be granted under the Incentive Plan is 51,000,000, representing only 0.543% of the total number of shares of the Company at as the date of the announcement of the Incentive Scheme, and the dilution effect of the Incentive Scheme is minimal; and (v) adjustments to the exercise price of the Share Options granted under the Incentive Scheme in the event of dividend distribution will not adversely affect interest of shareholders of the Company.

The aforesaid resolution has been considered and approved by the Board on 29 July 2021, and is now proposed at the EGM and the Class Meetings for consideration and approval as a special resolution. Directors Mr. LIANG Haishan, Mr. XIE Juzhi and Mr. LI Huagang have abstained from voting on relevant Board resolutions in relation to the Incentive Scheme.

Pursuant to Rule 17.04(1) of the Hong Kong Listing Rules, the grant of Share Options to Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi under the Share Option Incentive Scheme has been approved by the Independent Non-executive Directors.

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2. Proposed Adoption of the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme

A special resolution will be proposed at the EGM to consider and approve the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd, the text of which is set out in the Appendix I to this Circular.

The aforesaid resolution has been considered and approved by the Board on 29 July 2021, and is now proposed at the EGM for consideration and approval as a special resolution.

3. Proposal to the General Meeting to Grant Authority to the Board and such Persons as Delegated by the Board to Handle in Full Discretion all Matters in Connection with the 2021 A Share Option Incentive Scheme of the Company

A special resolution will be proposed at the EGM and the H Shares Class Meeting to consider and approve the proposal to the general meeting to grant authority to the Board and such persons as delegated by the Board to handle in full discretion all matters in connection with the Company's 2021 A Share Option Incentive Scheme, details of which are set out in the Appendix II to this Circular.

III. THE EGM AND CLASS MEETINGS

The Company will convene the EGM and Class Meetings at 2:00 p.m. on 15 September 2021 (Wednesday) at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC, to consider and approve, if thought fit, the proposed matters as set out in the relevant notices.

The notices of the EGM and H Shares Class Meeting are set out on pages 62 to 65 of this circular.

Independent Directors' Solicitation of votes on the Incentive Scheme resolutions

Pursuant to the Management Measures, independent directors of a company listed on the Shanghai Stock Exchange should solicit votes publicly from all shareholders of the company on any proposed resolution relating to adoption of a share incentive scheme by the listed company. The purpose of such arrangement is to encourage shareholders of a company listed on the Shanghai Stock Exchange to participate in the voting for the resolution relating to adoption of a share incentive scheme by providing them with an additional way of participation in the general meeting.

As the A Shares of the Company are listed on the Shanghai Stock Exchange, pursuant to the Management Measures, the independent non-executive Directors of the Company have nominated Mr. CHIEN Da-Chun as a caller on their behalf to solicit votes from the Shareholders on the resolutions regarding the Schemes at the EGM and the Class Meetings. Pursuant to the Management Measures, Mr. CHIEN

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Da-Chun will solicit votes from the Shareholders on the proposed resolutions relating to adoption of the Scheme and related matters. Mr. CHIEN Da-Chun has prepared two Independent Non-executive Director's Proxy Forms (the "**Independent Non-executive Director's Proxy Forms**") for each of the EGM and the H Shares Class Meeting. An overseas regulatory announcement of the Company dated 30 July 2021 in relation to Independent Directors' solicitation of votes has been published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://smart-home.haier.com>).

You may appoint Mr. CHIEN Da-Chun as your proxy by filling in the Independent Non-executive Directors' Proxy Forms to vote on the resolutions relating to the Schemes on your behalf. Alternatively, you may simply appoint your own proxy by filling in the usual proxy forms to vote for you on all the resolutions (including those relating to the Schemes). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and the H Shares Class Meeting or any adjournment thereof should you so wish. Relevant proxy forms for the EGM and the H Shares Class Meeting have been published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://smart-home.haier.com>).

IV. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the meeting will demand a poll in relation to all the proposed resolutions at the EGM and H Shares Class Meeting. The Participants who are Shareholders and their respective associates, who are entitled to exercise control over the voting right in respect of their Shares, are required to abstain from voting on the proposed resolutions for the adoption of the Share Option Incentive Scheme and related matters. Save as disclosed above, to the knowledge of the Directors, no Shareholder or its associate (as defined in the Listing Rules) is deemed to have a material interest in any of the resolutions to be proposed at the EGM and H Shares Class Meeting, and therefore, no Shareholder is required to abstain from voting on any resolutions at the EGM and H Shares Class Meeting.

Please note that Mr. CHIEN Da-Chun, an Independent Non-executive Director, has sent out the Independent Non-executive Director's Proxy Forms in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the resolutions regarding the Scheme and related matters at the EGM and the Class Meetings. Should you wish to appoint Mr. CHIEN Da-Chun as your proxy to vote for you and on your behalf at the EGM and/or the H Shares Class Meeting on the resolutions regarding the Scheme and related matters, please complete the Independent Non-executive Director's Proxy Forms. Alternatively, if you wish to appoint any person other than Mr. CHIEN Da-Chun as your proxy to vote for you and on your behalf at the EGM and/or the H Shares Class Meeting on the resolutions regarding the Scheme and related matters, you may simply disregard the Independent Non-executive Director's Proxy Forms and complete and return the proxy form for use at the EGM and the proxy form for use at the H Shares Class Meeting instead. H Shareholders who wish(es) to appoint a proxy/proxies to attend the EGM and/or the H

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Shareholders' Class Meeting are requested to complete and sign the proxy form or the Independent Non-executive Director's Proxy Forms in accordance with the instructions contained therein, and deliver the forms to the Company's H Share registrar, Tricor Investor Services Limited, at 54 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time designated for the commencement of the EGM and/or the H Shareholders' Class Meeting.

The voting results of the EGM and Class Meetings will be published on both the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://smart-home.haier.com>) in accordance with the Listing Rules.

V. CLOSURE OF THE REGISTER OF MEMBERS AND THE ELIGIBILITY FOR ATTENDING AND VOTING AT THE EGM AND H SHARES CLASS MEETING

The Company's register of members will be closed from 7 September 2021 (Tuesday) to 15 September 2021 (Wednesday), both days inclusive, during which period no transfer of Shares will be effected. To be eligible for attending and voting at the EGM, all transfer documents together with the relevant share certificates and other appropriate documents must be lodged with the H Shares Registrar, namely, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for the H Shareholders) not later than 4:30 p.m., on 6 September 2021 (Monday) for registration.

VI. RECOMMENDATION

The Board (including the Independent Non-executive Directors, but excluding Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi, who shall abstain from voting on all resolutions) considers that all resolutions to be proposed at the EGM and the Class Meeting are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends Shareholders to vote in favour of all the resolutions to be proposed at the EGM and the Class Meeting.

VII. RESPONSIBILITY STATEMENT

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

VIII. OTHER INFORMATION

You are kindly requested to pay attention to the other information as set out in Appendix I to II to this circular.

LETTER FROM THE BOARD

A copy of this Incentive Scheme is available for inspection at the principal place of business of the Company in Hong Kong at Unit 3513, 35/F, The Centre, 99 Queen's Road Central, Hong Kong during normal business hours from the date hereof to 15 September 2021, being the date of the EGM and Class Meeting.

By Order of the Board
Haier Smart Home Co., Ltd.*
Mr. Liang Haishan
Chairman

Qingdao, the PRC

31 August 2021

* *For identification purpose only*

**APPRAISAL MANAGEMENT MEASURES OF
THE 2021 A SHARE OPTION
INCENTIVE SCHEME OF
HAIER SMART HOME CO., LTD.**

July 2021

**APPRAISAL MANAGEMENT MEASURES OF
THE 2021 A SHARE OPTION INCENTIVE SCHEME OF
HAIER SMART HOME CO., LTD.**

Haier Smart Home Co., Ltd. (hereinafter referred to as the “**Company**”) has established the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. (hereinafter referred to as the “**Management Measures**” or these “**Measures**”) for the purpose of further improving the corporate governance structure, establishing and improving the Company’s incentive and restraint mechanism, to ensure successful implementation of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. (hereinafter referred to as the “**Incentive Scheme**”), and to maximize the effect of the Incentive Scheme, so as to ensure achievement of the Company’s development strategy and business objectives, in a way that the interests of the Shareholders are fully protected.

To guarantee the successful implementation of the Incentive Scheme, these Measures is hereby formulated in accordance with relevant requirements of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for Share Incentives of Listed Companies and relevant laws, administrative regulations, regulatory documents and the Articles of Association of Haier Smart Home Co., Ltd. and in line with the actual circumstance of the Company.

The capitalized terms used in these Measures shall have the same meanings as those used in the Incentive Scheme.

I. PURPOSE OF APPRAISAL

The purposes of these Measures are to help the Company to further improve the corporate governance structure, establish and improve the Company’s incentive and restraint mechanism, to ensure successful implementation of the Incentive Scheme, and to maximize the effect of the Incentive Scheme, so as to ensure achievement of the Company’s development strategy and business objectives.

II. PRINCIPLES OF APPRAISAL

- (1) Appraisal and evaluation of the Participants shall be conducted in strict accordance with these Measures following the principles of justice, openness and fairness:
- (2) The appraisal indicators shall be combined with the Company’s medium and long-term development strategy and annual business objectives; as well as the key working performance, competence and attitude of the Participants.

III. SCOPE OF APPRAISAL

These Measures apply to all Participants as determined by the Incentive Scheme, including the Directors, senior management of the Company, general manager and department manager of business divisions of the Company. According to requirements under the Administrative Measures for Share Incentives of Listed Companies issued by CSRC, the Participants exclude any independent directors, supervisors, the shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children.

IV. APPRAISAL AGENCY AND IMPLEMENTING AGENCY

- (1) The Remuneration and Appraisal Committee of the Board is responsible for the organization and implementation of the Incentive Scheme;
- (2) The Human Resources Department of each entity is responsible for collecting and providing relevant appraisal data and is responsible for the authenticity and reliability of the data;
- (3) The Board of the Company is responsible for reviewing and approving these Measures.

V. APPRAISAL SUBJECT, INDICATORS AND STANDARDS**(1) Appraisal subject**

The appraisal subject includes two aspects, primarily being the Company's performance targets and individual performance appraisal.

(2) Company's performance indicators

From the accounting year 2021 to 2025, annual appraisal on the Company's performance targets (the appraisal year for the Reserved Share Options may be from 2022 to 2026, depending on the specific Grant Date) will be conducted under the Incentive Scheme. The fulfillment of the performance appraisal target is one of the Exercise Conditions for that year of the Participants. The performance appraisal target for Share Options under the first grant is as follows:

Exercise Period	Performance appraisal target
First Exercise Period of the first grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2021 over adjusted net profit attributable to the parent company in 2020 reaches or exceeds 30%

Exercise Period	Performance appraisal target
Second Exercise Period of the first grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Third Exercise Period of the first grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fourth Exercise Period of the first grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fifth Exercise Period of the first grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Note 1: The “net profit attributable to the parent company” described above represents audited net profit attributable to the parent company after excluding the one-off impact on profit or loss arising from any material asset disposal/acquisition (if any) for the year. In this regard, with reference to relevant requirements in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange, material asset disposals and acquisitions are defined as: ① material asset disposals and acquisitions with an individual transaction amount representing over 5% (inclusive) of the latest audited net asset attributable to the parent company of the listed company, or ② asset with a net profit arising from an individual transaction or net profit of target acquisition representing over 5% of the latest audited net profit attributable to the parent company of the listed company.

Note 2: Calculation of the “2020 adjusted net profit attributable to the parent company” is as follows: the Company completed a material asset restructuring in the privatization of HEG on 23 December 2020. Assuming this material asset restructuring had been completed on 1 January 2019 and HEG had become a wholly-owned subsidiary of the Company and had then delisted from The Stock Exchange of Hong Kong Limited, while excluding the audited one-off net gain from the disposal of 54.50% equity interests in Haier COSMO IOT Ecosystem Technology Co., Ltd. (海爾卡奧斯物聯生態科技有限公司) (hereafter “COSMOPlat”) in 2020 of RMB2,270 million, and tax expenses arising from the disposal of COSMOPlat in 2020 of RMB625 million (i.e., a net gain from the disposal of COSMOPlat of RMB1,640 million), the Company's 2020 adjusted net profit attributable to the parent company amounted to RMB9,520 million.

If the Share Options of the Reserved Grant are granted before and including December 31, 2021, the performance appraisal target for each year for Share Options of the Reserved Portion is as follows:

Exercise Period	Performance appraisal target
First Exercise Period of the reserved grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2021 over adjusted net profit attributable to the parent company in 2020 reaches or exceeds 30%
Second Exercise Period of the reserved grant of Share Options	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Third Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fourth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fifth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Note 1: The “net profit attributable to the parent company” described above represents audited net profit attributable to the parent company after excluding the one-off impact on profit or loss arising from any material asset disposal/acquisition (if any) for the year. In this regard, with reference to relevant requirements in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange, material asset disposals and acquisitions are defined as: ① material asset disposals and acquisitions with an individual transaction amount representing over 5% (inclusive) of the latest audited net asset attributable to the parent company of the listed company, or ② asset with a net profit arising from an individual transaction or net profit of target acquisition representing over 5% of the latest audited net profit attributable to the parent company of the listed company.

Note 2: Calculation of the “2020 adjusted net profit attributable to the parent company” is as follows: the Company completed a material asset restructuring in the privatization of HEG on 23 December 2020. Assuming this material asset restructuring had been completed on 1 January 2019 and HEG had become a wholly-owned subsidiary of the

Company and had then delisted from The Stock Exchange of Hong Kong Limited, while excluding the audited one-off net gain from the disposal of 54.40% equity interests in Haier COSMO IOT Ecosystem Technology Co., Ltd. (海爾卡奧斯物聯生態科技有限公司) (hereafter “COSMOPlat”) in 2020 of RMB2,270 million, and tax expenses arising from the disposal of COSMOPlat in 2020 of RMB625 million (i.e., a net gain from the disposal of COSMOPlat of RMB1,640 million), the Company’s 2020 adjusted net profit attributable to the parent company amounted to RMB9,520 million.

If the Reserved Portion granted after and excluding December 31, 2021, the performance appraisal target for each year for is as follows:

Exercise Period	Performance appraisal target
First Exercise Period of the reserved grant of Share Options	The growth rate of the Company’s net profit attributable to the parent company in 2022 over adjusted net profit attributable to the parent company in 2021 reaches or exceeds 15%
Second Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company’s net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Third Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company’s net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fourth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company’s net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
Fifth Exercise Period of the reserved grant of Share Options	The compound annual growth rate of the Company’s net profit attributable to the parent company in 2026 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Note 1: The “net profit attributable to the parent company” described above represents audited net profit attributable to the parent company after excluding the one-off impact on profit or loss arising from any material asset disposal/acquisition (if any) for the year. In this regard, with reference to relevant requirements in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange, material asset disposals and acquisitions are defined as: ① material asset disposals and acquisitions with an individual transaction amount representing over 5% (inclusive) of the latest audited net asset attributable to the

parent company of the listed company, or ② asset with a net profit arising from an individual transaction or net profit of target acquisition representing over 5% of the latest audited net profit attributable to the parent company of the listed company.

(3) Individual appraisal

The exercise of Options is subject to the achievement of pass or above by the Participants in the individual performance appraisal in the preceding year.

VI. APPRAISAL PERIODS AND FREQUENCY

(i) Appraisal period

The appraisal shall be conducted in the accounting year preceding each period of the Share Options being exercised by the Participants.

(ii) Appraisal frequency

The appraisal for the Incentive Scheme shall be conducted in each of the five accounting years from 2021 to 2025 (the appraisal year for the Reserved Share Options may be from 2022 to 2026, depending on the specific Grant Date).

VII. APPRAISAL PROCEDURES

- (1) At the beginning of each year, the Company will organize the Participants to actively compete for orders according to the strategic target, and enter into an individual performance-linked contract with the Participants.
- (2) At the beginning of the following year after the end of the appraisal year, the appraisal task force will consolidate the quarterly appraisal results and relevant information and ultimately compile the performance of the Participants, and conduct verification and analysis to confirm the appraisal results of the year of the Participants, so as to prepare and submit a performance appraisal report to the Remuneration and Appraisal Committee.
- (3) The Remuneration and Appraisal Committee of the Board, in reviewing and confirming the final individual performance of the Participants, may make adjustments to the appraisal indicators and appraisal results that are substantially influenced by various factors such as changes in objective circumstances.

VIII. MANAGEMENT OF APPRAISAL RECORDS

- (1) The appraisees are entitled to access to the appraisal results. The task force of the Remuneration and Appraisal Committee of the Board shall inform the appraisees of appraisal results within five business days after the completion of the appraisal.
- (2) Participants who raise objections against the appraisal results may file complaints with the Remuneration and Appraisal Committee of the Board by completing the Appraisal Appeal Form in writing within three working days from receiving the appraisal results. The task force of the Remuneration and Appraisal Committee of the Board and the relevant departments shall investigate the appraisal results, compile the investigation records and make recommendations to the Remuneration and Appraisal Committee of the Board for its final decision, which shall be the final appraisal results of the Participants. All objection procedures shall be completed within two weeks from the completion of the appraisal.
- (3) After completing the performance appraisal, the appraisal results will be filed and kept as confidential information.

IX. SUPPLEMENTARY PROVISIONS

- (1) These Measures shall be formulated, interpreted and amended by the Board of the Company. Where these Measures conflict with laws, administrative regulations and departmental rules to be promulgated in the future, such laws, administrative regulations and department rules shall prevail.
- (2) These Measures shall take effect from the date of consideration and approval at the general meeting, the A Shares Class Meeting, the D Shares Class Meeting and the H Shares Class Meeting of the Company.
- (3) The Scheme shall be interpreted by the Board of the Company.

The Board of Directors of
Haier Smart Home Co., Ltd.*

29 July 2021

* For identification purpose only

To ensure the smooth implementation of the 2021 A Share Option Incentive Scheme (hereafter, the “Share Option Incentive Scheme”), the Board proposes to the general meeting of the Company to grant authority to the Board to handle relevant matters in connection with the Share Option Incentive Scheme. Specific authority includes, but not limited to:

- (I) to authorize the Board to determine the Grant Date of Share Option Incentive Scheme;
- (II) to authorize the Board to grant Share Options to the Participants upon fulfilment of the conditions of grant by the Company and the Participants, and to handle all matters necessary in relation to the granting of Share Options;
- (III) to authorize the Board to examine and confirm the fulfilment of the exercise conditions by the Company and the Participants, and to handle all matters necessary in relation to the exercise of Share Options by the Participants;
- (IV) to authorize the Board to adjust the number and Exercise Price of Share Options in the event of any distribution of dividends, capitalisation issue, bonus issue, sub-division or consolidation of Shares and rights issue in accordance with the provisions of the Share Option Incentive Scheme;
- (V) to authorize the Board to dispose of, pursuant to the requirements under the Share Option Incentive Scheme, any Share Options granted to the Participants with the right attached exercised or not (including but not limited to cancellation of relevant Share Options), in the event of any change in control, merger and spin-off or other similar matters of the Company, or the occurrence of any special event in relation to the Participants as stipulated in the Scheme including his/her resignation, transfer, retirement or death;
- (VI) to authorize the Board to decide, pursuant to the requirements under the Share Option Incentive Scheme, whether to collect the Participants’ gain;
- (VII) to authorize the Board to perform other necessary management over the Share Option Incentive Scheme;
- (VIII) the Board may authorize the Remuneration and Appraisal Committee under the Board to deal with some matters concerning the Share Options when necessary, and the Board may authorize the Remuneration and Appraisal Committee to be responsible for the appraisal of the Participants, and to determine the disposal of their Share Options when special circumstances arise upon the Participants;
- (IX) to authorize the Board to review and confirm the Exercise Conditions and exercise qualifications of the Participants and to agree with the Board for delegating such rights to the Remuneration and Appraisal Committee;

- (X) to authorize the Board to determine whether the Participants can be subject to the Exercise, and handling the issue of freezing the Share Options not yet exercised;
- (XI) to authorize the Board to deal with all matters necessary for the Exercise of the Participants, including but not limited to application to the Shanghai Stock Exchange for the Exercise, application to Shanghai Branch of China Securities Depository and Clearing Corporation Limited for conducting registration and settlement, amending the Articles of Association and handling the business registration for the changes in registered capital of the Company;
- (XII) to authorize the Board to administer and adjust the Share Option Incentive Scheme, and subject to compliance with the terms of the Share Option Incentive Scheme, to formulate or modify provisions for the administration, review and implementation of the Scheme from time to time, provided that if such modifications are required by the laws, regulations or relevant regulatory authorities to be subject to the approval of the general meeting and/or relevant regulatory authorities, such modifications made by the Board must obtain the corresponding approvals;
- (XIII) to authorize the Board to allocate and adjust the total quotas of the Share Options among the Participants, under established methods and procedures before the Share Options are granted;
- (XIV) to authorize the Board to make corresponding revisions to the Share Option Incentive Scheme when relevant amendments are made to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures for Share Incentives of Listed Companies and other relevant laws and regulations;
- (XV) to authorize the Board and any person authorized by the Board to sign, execute, modify and terminate any agreements relating to the Share Option Incentive Scheme;
- (XVI) to authorize the Board and any person authorized by the Board to appoint receiving banks, accountants, attorneys and other intermediaries for the implementation of the Share Option Incentive Scheme;
- (XVII) to propose authorization to the Board at the general meeting of the Company to complete procedures with relevant governments and authorities in relation to the Share Option Incentive Scheme including review, registration, filing, approval and consent; to sign, execute, amend and complete documents submitted to relevant governments, authorities, organizations, and individuals; and to carry out all other actions necessary, appropriate, or expedient in relation to the Share Option Incentive Scheme, except the rights to be exercised by the general meeting as explicitly required under relevant documents;
- (XVIII) to authorize the Board to amend and terminate the Share Option Incentive Scheme;

(XIX) to authorize the Board to deal with the above matters concerning the Reserved Portion under the Incentive Scheme, including but not limited to the determination of Grant Date, Participants and Exercise Price and other relevant matters;

(XX) to authorize the Board to implement other matters as required by the Share Option Incentive Scheme, except the rights to be exercised by the general meeting as explicitly required under relevant documents.

The term of authorization to the Board by the general meeting shall be the validity period of the Share Option Incentive Scheme.

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



Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

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

Stock Code: 6690

NOTICE OF THE SECOND EGM OF 2021

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of 2021 (the “**EGM**”) of Haier Smart Home Co., Ltd. (the “**Company**”) will be held at 2:00 p.m. on 15 September 2021 (Wednesday) at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC for the purpose of considering and, if thought fit, approving the resolutions set out below:

SPECIAL RESOLUTIONS

1. To consider and approve the 2021 A Share Option Incentive Scheme (draft) of Haier Smart Home Co., Ltd. and its summary
2. To consider and approve the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
3. To consider and approve the proposal to the general meeting to grant authority to the Board and such persons as delegated by the Board to handle in full discretion all matters in connection with the 2021 A Share Option Incentive Scheme of the Company

By Order of the Board
Haier Smart Home Co., Ltd.*
Mr. LIANG Haishan
Chairman

Qingdao, the PRC
29 July 2021

As at the date of this notice, the executive directors of the Company are Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi; the non-executive directors are Mr. WU Changqi, Mr. LIN Sui, Mr. YU Hon To, David and Ms. Eva LI Kam Fun; and the independent non-executive directors are Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi.

* For identification purpose only

NOTICE OF THE SECOND EGM OF 2021

Notes:

1. CLOSURE OF REGISTER OF MEMBERS, ELIGIBILITY FOR ATTENDING THE EGM

In order to determine the shareholders who are eligible to attend and vote at the EGM, the register of members for H Shares will be closed from 7 September 2021 (Tuesday) to 15 September 2021 (Wednesday) (both days inclusive). Shareholders whose names appear on the register of members of the Company on 15 September 2021 (Wednesday) are entitled to attend and vote at the EGM. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to lodge the transfer documents together with relevant share certificates and other appropriate documents with the H Share Registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 6 September 2021 (Monday).

2. PROXY

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies by writing to attend and vote in their stand. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporate body, the proxy form must be under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is entered into by an attorney, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

To be valid, the proxy form must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for the H Shareholders) not less than 24 hours prior to the holding of the EGM (i.e. no later than 2:00 p.m. on 14 September 2021 (Tuesday)) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof. In this case, the power of attorney will be deemed to have been revoked.

In case of joint holders of a share of the Company, any one of such holders is entitled to vote at the EGM, by himself/herself or by proxy, as if he/she is the only one entitled to do so among the joint holders. However, only the vote of the person by himself/herself or by proxy whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attend the EGM personally or by proxy.

3. OTHER MATTERS

- (i) A shareholder or his/her proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorized by such corporate shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
- (ii) The EGM is expected to take less than half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.



Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

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

Stock Code: 6690

NOTICE OF THE THIRD H SHARES CLASS MEETING OF 2021

NOTICE IS HEREBY GIVEN that the third H shares class meeting of 2021 (the “**H Shares Class Meeting**”) of Haier Smart Home Co., Ltd. (the “**Company**”) will be held on 15 September 2021 (Wednesday) at Haier University, Haier Information Industry Park, Laoshan District, Qingdao, PRC immediately after the Second EGM, the Third A Shares Class Meeting and the Third D Shares Class Meeting for the purpose of considering and, if thought fit, approving the resolutions set out below:

SPECIAL RESOLUTIONS

1. To consider and approve the 2021 A Share Option Incentive Scheme (draft) of Haier Smart Home Co., Ltd. and its summary
2. To consider and approve the Appraisal Management Measures of the 2021 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
3. To consider and approve the proposal to the general meeting to grant authority to the Board and such persons as delegated by the Board to handle in full discretion all matters in connection with the 2021 A Share Option Incentive Scheme of the Company

By Order of the Board
Haier Smart Home Co., Ltd.*
Mr. LIANG Haishan
Chairman

Qingdao, the PRC
29 July 2021

As at the date of this notice, the executive directors of the Company are Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi; the non-executive directors are Mr. WU Changqi, Mr. LIN Sui, Mr. YU Hon To, David and Ms. Eva LI Kam Fun; and the independent non-executive directors are Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi.

* For identification purpose only

NOTICE OF THE THIRD H SHARES CLASS MEETING OF 2021

Notes:

1. CLOSURE OF REGISTER OF MEMBERS, ELIGIBILITY FOR ATTENDING THE H SHARES CLASS MEETING

In order to determine the shareholders who are eligible to attend and vote at the H Shares Class Meeting, the register of members for H Shares will be closed from 7 September 2021 (Tuesday) to 15 September 2021 (Wednesday) (both days inclusive). Shareholders whose names appear on the register of members of the Company on 15 September 2021 (Wednesday) are entitled to attend and vote at the H Shares Class Meeting. Holders of H Shares who wish to attend the H Shares Class Meeting but have not registered the transfer documents are required to lodge the transfer documents together with relevant share certificates and other appropriate documents with the H Share Registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 6 September 2021 (Monday).

2. PROXY

Shareholders entitled to attend and vote at the H Shares Class Meeting may appoint one or more proxies by writing to attend and vote in their stead. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporate body, the proxy form must be under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is entered into by an attorney, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

To be valid, the proxy form must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for the H Shareholders) not less than 24 hours prior to the holding of the H Shares Class Meeting (i.e. no later than 2:00 p.m. on 14 September 2021 (Tuesday)) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the H Shares Class Meeting or any adjournment thereof. In this case, the power of attorney will be deemed to have been revoked.

In case of joint holders of a share of the Company, any one of such holders is entitled to vote at the H Shares Class Meeting, by himself/herself or by proxy, as if he/she is the only one entitled to do so among the joint holders. However, only the vote of the person by himself/herself or by proxy whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attend the H Shares Class Meeting personally or by proxy.

3. OTHER MATTERS

- (i) A shareholder or his/her proxy should produce proof of identity when attending the H Shares Class Meeting (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorized by such corporate shareholder attends the H Shares Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
- (ii) The H Shares Class Meeting is expected to take less than half a day. Shareholders who attend the H Shares Class Meeting shall be responsible for their own travel and accommodation expenses.