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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**

**ANNOUNCEMENT  
PROPOSED ADOPTION OF THE 2022 A SHARE OPTION  
INCENTIVE SCHEME**

**PROPOSED ADOPTION OF THE 2022 A SHARE OPTION INCENTIVE  
SCHEME**

The Board is pleased to announce that, on 28 April 2022, the Board considered and approved the relevant resolution in relation to proposed adoption of the 2022 A Share Option Incentive Scheme. The Incentive Scheme shall become effective upon consideration and approval of the Shareholders' meeting and the Class Meetings of the Company. Before the Shareholders' meeting and the Class Meetings are held for approval of the Incentive Scheme, the Company may amend the Incentive Scheme upon the request of the regulatory authorities of the PRC and/or Hong Kong.

## **REASONS FOR AND BENEFITS OF GRANTING SHARE OPTIONS**

As mentioned in the announcement of the Company dated 29 July 2021, A Share Option Incentive Scheme is an integral part of the Company's strategy to provide incentives to its employees with the long-term objective of further enhancing its development of high-end scenario-based brand and smart household business. In addition to the A Share and H Share Core Employee Stock Ownership Schemes, and the Restricted Share Unit Scheme announced on 25 May 2021 and 28 April 2022, the 2022 A Share Option Incentive Scheme is proposed with an aim to further drive the achievement of the Company's longer-term target. It is proposed that the 2022 A Share Option Incentive Scheme shall provide incentives to business director, core technical staff and business backbone staff of the Company critical to the Company's business development including but not limited to research and development staff members with a four-year appraisal period, when overall profit targets for the Company as well as individual performance targets will be required to fulfil. It is also proposed that the 2022 A Share Option Incentive Scheme shall provide a wider coverage (1,840 participants) as compared to the 2021 A Share Option Incentive Scheme (407 participants).

The Directors of the Company (including Independent Non-executive Directors) believe that the adoption of the Incentive Scheme will help the Company achieve the above objectives, and is also of the view that the terms and conditions of the Incentive Scheme are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **HONG KONG LISTING RULES IMPLICATION**

The 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 reporting, announcement and independent Shareholders' approval requirements. The Company will apply for a waiver from strict compliance with the requirement of note 1 to Rule 17.03(9) of the Hong Kong Listing Rules in respect of the Exercise Price of the Share Options which may be granted under the Incentive Scheme; the Company will also apply to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.03(13) of the Hong Kong Listing Rules so as to enable the adjustments to the Exercise Price of the Share Options granted under the Incentive Scheme.

## **ANNUAL GENERAL MEETING AND CLASS MEETINGS**

An annual general meeting and Class Meetings will be held to consider and approve at discretion, amongst other things, proposed adoption of the A Share Option Incentive Scheme. The Company will dispatch the notice of the annual general meeting, the notices of the Class Meetings and the circular containing further details of the terms of the Incentive Scheme to the Shareholders in due course.

## **PROPOSED ADOPTION OF THE A SHARE OPTION INCENTIVE SCHEME**

### **I. Purpose and Principles of the Incentive Scheme**

#### ***(I) Purpose of the Incentive Scheme***

1. As the Company is leading the effort to upgrade its Internet of Things from “high-end brands” to “scenario brands”, and to “ecological brands”, the Company needs to have long-term planning to ensure the achievement of its strategic results and also improve its long-term incentive scheme in line with the above objectives. As such, the Incentive Scheme encourages core technology talents and business 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 in the coming 4 years as a cycle, which expedites 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 leading.
3. Improve the Company’s governance mechanism and enhance corporate value and Shareholder value. The core technology talents and business team’s holdings of Shares or relevant interests through the Share Option Scheme facilitate the improvement of the governance structure and align the interests of the core team with those of the Company and the Shareholders, thereby improving the values of the Company and Shareholders.
4. Improve the Company’s remuneration management system to further attract talents. The implementation of the Share Option Scheme is conducive to further improving the Company’s remuneration and incentive system to refine the Company’s incentive and disciplinary mechanism; supporting an open 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.

***(II) 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 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.

**II. Administrative Body of the Incentive Scheme**

- (1) The Shareholders' meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Incentive Scheme. The Shareholders' 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 Shareholders' meeting 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 Shareholders' meeting.

- (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 Shareholders' 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 Scheme, the Independent Director(s) and the Supervisory Committee (where there is a change of the Participants) shall simultaneously issue clear opinions thereon.

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

### **III. Basis for Determining the Participants and the Scope of Participants**

#### ***(1) 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 be 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 with 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 1,840 Participants granted under the Incentive Scheme in total, who are core staff that includes business director, core technical staff and business backbone staff of the Company (excluding current Directors and senior management of the Company) and have made significant contributions to the Company's overall performance and long-term development.

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

## ***(2) Verification of Participants***

1. After the Board has reviewed and approved the Scheme, the Company shall internally publish the names and the positions of the Participants before the convening of the Shareholders' meeting 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 Shareholders' meeting 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.

## **IV. Source, Number and Allocation of Share Options**

### ***(1) Source of Shares of 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.

### ***(2) Number of the Share Options Granted***

The Company intends to grant 105.1520 million Share Options to the Participants, representing 1.11% of the total number of Shares of the Company (i.e. 9,446,522,864 Shares) as at the date of the announcement of the Incentive Scheme.

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

<b>Participants</b>	<b>Number of the Share Options to be granted</b>	<b>Percentage to the current total number of Shares</b>
Business directors, core technical staff and business backbone staff of the Company (1,840 people)	105,152,000	1.11%

1. The total Shares of the Company to be granted under the Share 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 the fully effective Incentive Scheme will not exceed 10% of the total number of Shares of the Company as at the date of the proposal of the Share Incentive Scheme at the Shareholders' meeting and the Class Meetings.

2. 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.

## **V. 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 have been granted and end on the date of fully Exercising all the Share Options or the cancellation of such Share Options, which shall not exceed 60 months.

### ***(2) Grant Date of the Incentive Scheme***

The Grant Date shall be determined by the Board after the Incentive Scheme is considered and approved at the Shareholders' meeting and the 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 Shareholders' meeting and the 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 stipulates 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 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.

### ***(3) Vesting Period of the Incentive Scheme***

All 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 Shareholders' meeting and Class Meetings. The Exercisable Date must be a trading day and shall not fall within any of the following periods:

- 1) 60 days prior to the board meeting of the Company to consider the annual report to the date of disclosure of the annual report (both days inclusive);
- 2) 30 days prior to the board meeting of the Company to consider the quarterly report or interim report to the date of disclosure of the quarterly report or interim report (both days inclusive);
- 3) Within 10 days prior to the announcement of the Company's result forecast and preliminary result (both days inclusive);

during the period for (1)-(3) above, the trading in the Company's Shares is prohibited, including the period during which the announcement of the Company's result is postponed;

- 4) From the date of occurrence of a material matter that may have a significant impact on the trading price of the Company's Shares and its derivatives or the date of entering into the decision-making process to the date of disclosure in accordance with the law;
- 5) Other periods as stipulated by the relevant laws, regulations and rules applicable to the Company and by regulatory authorities such as the CSRC and the exchange where the Company's securities are listed.

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

<b>Exercise arrangement</b>	<b>Exercise schedule</b>	<b>Proportion of exercisable Options to granted Options</b>
<b>First Exercise period of the grant of Share Options</b>	Commencing from the first trading day upon the expiry of 12 months from the Grant Date to the last trading day upon the expiry of 24 months from the Grant Date	25%
<b>Second Exercise period of the grant of Share Options</b>	Commencing from the first trading day upon the expiry of 24 months from the Grant Date to the last trading day upon the expiry of 36 months from the Grant Date	25%
<b>Third Exercise period of the grant of Share Options</b>	Commencing from the first trading day upon the expiry of 36 months from the Grant Date to the last trading day upon the expiry of 48 months from the Grant Date	25%
<b>Fourth Exercise period of the grant of Share Options</b>	Commencing from the first trading day upon the expiry of 48 months from the Grant Date to the last trading day upon the expiry of 60 months from the Grant Date	25%

***(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 be accounted 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.

## **VI. The Exercise Price of the Share Options and the Basis of Its Determination**

### ***(1) Exercise Price of the Share Options Granted***

The Exercise Price of the Share Options granted shall be RMB23.86 per Share. Upon fulfilment of the Exercise Conditions, each Participant is entitled to purchase 1 class A ordinary Share of the Company at the price of RMB23.86 per Share for each Share Option he/she is granted.

### ***(2) Basis of determination for the Exercise Price of the Share Options Granted***

The Exercise Price of the Share Options granted 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. RMB23.86 per Share) on the trading day (i.e. 28 April 2022) preceding the announcement of the Incentive Scheme.
2. the average trading price of the A Shares (i.e. RMB23.70 per Share) for the last 20 trading days (including 28 April 2022) preceding the announcement of the Incentive Scheme.

## **VII. 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) issuance 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) issuance 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 to the market in the last 12 months due to material non-compliance with 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.

***(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) issuance 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) issuance 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 is under 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;

- 3) he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access to the market in the last 12 months due to material non-compliance with 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 is under 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 2022 to 2025, annual appraisal of the Company's performance 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 is as follows:

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

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

*Note:* The “net profit attributable to the parent company”: the “net profit attributable to the parent company during the 2021” described above represents audit data for 2021 Audit Report, amounting to RMB13.067 billion and the other “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 Hong Kong Listing Rules, 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 individual transaction with asset creating a net profit or net profit of acquisition target representing over 5% of the latest audited net profit attributable to the parent company of the listed company.

#### 4. Individual Performance Conditions

The Exercise of Options is subject to the Participants achieving pass or above in the individual performance appraisal in the preceding year.

Share Options that cannot be Exercised in the year of appraisal by the Participants will be cancelled by the Company.

#### ***(3) Scientific basis and reasonableness of performance appraisal indicator***

In order to achieve the Company's strategic plan, continuously improve operation targets and boost the Company's overall competitiveness, the Share Options incentive performance appraisal period spans from 2022 to 2025; 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 have 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 effective 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.

## **VIII. 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

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

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. New issues

In the event of new 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

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

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. New 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 Shareholders' 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.

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 Shareholders' meeting.

## **IX. Accounting Treatment of Share Options and Cost Estimation**

### ***(1) Accounting treatment of Share Options***

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 expenses 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".
3. Subsequent to Exercisable Date Accounting Treatment: No adjustment shall be made to the relevant costs or expenses, 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 by 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 estimated 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 estimated volatility of 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:

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

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

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

2. Selected parameters for calculating the value of the Share Options of the Company

- 1) Share Price (S): RMB24.53 per Share (the closing price on the assumed Grant Date, 28 April 2022).
- 2) Exercise Price (K): RMB23.86 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 2.041% for the first year, 2.334% for the second year, 2.434% for the third year, 2.524% for the fourth 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 and 4 years, respectively (the period from the Grant Date to the first date of Exercise for each respective period).
- 5) Historic Volatility ( $\sigma$ ): 0.3630 (1 year); 0.4055 (2 years); 0.3825 (3 years); 0.3819 (4 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): 1.8753%, based on the dividend yield from Bloomberg on the Valuation Date (28 April 2022), calculated by dividing dividends per Share by the closing price on the Grant Date.

Based on the above pricing model, the total theoretical value of the Company's 105.152 million Options granted under the Incentive Scheme is approximately RMB606 million, representing the cost of the Share Options to be amortized is approximately RMB606 million, which will be amortized over the Vesting Period of the Incentive Scheme. Assuming the Company granted Options on 28 April, 2022, the amortization of the Share Options costs for 2022–2026 would be as follows (in RMB hundred million):

Number of the Share Options granted	Total cost to be amortized					
		2022	2023	2024	2025	2026
105,152,000	6.06	1.88	2.10	1.28	0.65	0.15

*Notes:*

1. The above amortization cost projections do not represent the final 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 final 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.

## **X. 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 Administrative Measures of the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
2. The Board shall consider the Incentive Scheme, Appraisal Administrative Measures of the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. 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 and approved the Incentive Scheme and performed the publicity and announcement procedure, it should propose the Incentive Scheme to the Shareholders' meeting for review and approval; at the same time, it shall propose to the Shareholders' 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 Shareholders' meeting and the 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 a Shareholders' meeting and the Class Meetings.
7. When the Shareholders' meeting and the 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 Shareholders' meeting and the 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 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 Share Incentive Scheme is considered at the Shareholders' meeting and the 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 Shareholders' meeting, the Incentive Scheme considered and approved by the Shareholders' meeting and the Class Meetings, and the self-examination report and legal opinions of the Shareholders' meeting on the insiders' trading of the Shares of the Company.
9. After the Incentive Scheme has been considered and approved at the Shareholders' meeting and the Class Meetings of the Company, the Board of the Company shall, according to the authorisation of the Shareholders' 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 Shareholders' meeting and the Class Meetings. The Board shall handle the grant, Exercise and cancellation of the Share Options and other matters according to the delegation of the Shareholders' meeting.

## ***(2) Procedures for Grant of Share Options***

1. Upon consideration and approval of the Incentive Scheme at the Shareholders' meeting and the Class Meetings, the Company shall sign an Agreement on Grant of Share Options of A Share in 2022 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 2022, he/she shall be deemed to have automatically abandoned his/her rights and obligations.
2. The Board shall consider and announce whether the conditions stipulated under the Share Incentive Scheme for the Participant to receive entitlements have been satisfied before the Company grants such entitlements to such Participants. The Independent Directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal A 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 Share 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 Share Incentive Scheme is considered and approved at the Shareholders' meeting and the 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 Share 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.

### ***(3) Procedures for Exercise of the Share Options***

1. The Company shall confirm whether a Participant satisfies the Exercise Conditions before the Exercisable Date. 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 Shareholders' 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 Shareholders' meeting, such amendment shall be considered and determined at the Shareholders' 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.

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 materially 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 Shareholders' 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 Shareholders' meeting, such termination shall be considered and approved at Shareholders' meeting. If the Company's Shareholders' meeting or the Board meeting considers and approves the resolution to terminate the implementation of the Share Incentive Scheme, it shall not be allowed to review the Share 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.

## **XI. 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 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. 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 Shareholders' meeting and the Class Meetings of the Company, the Company will sign an Agreement on Grant of the A Share Options in 2022 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 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.

## **XII. Changes to and Termination of the Share Option Incentive Scheme, 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 Shareholders' 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 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.

***(1) 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 occur 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.
  - 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 summarily (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.
9. Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Appraisal Committee.

## ***(2) Resolution of Disputes between the Company and the Participants***

Any dispute arising out of the implementation of the Incentive Scheme and/or the Share incentive agreement signed by the Company and the Participants or any dispute in relation to the Incentive Scheme and/or the share incentive agreement 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.

## **XIII. 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.

## **XIV. 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 by way of introduction. The Company is the leading provider of home appliances and smart home solutions in the world. The Company's main businesses include the research and development, 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 a whole scenario smart life experience with its rich product, brand and solution package to meet the needs of users to customize a better life.

## **XV. Reasons for and Benefits of Granting Share Options**

As mentioned in the announcement of the Company dated 29 July 2021, A Share Option Incentive Scheme is an integral part of the Company's strategy to provide incentives to its employees with the long-term objective of further enhancing its development of high-end scenario-based brand and smart household business. In addition to the A Share and H Share Employee Stock Ownership Schemes, and the Restricted Share Unit Scheme announced on 25 May 2021 and 28 April 2022, the 2022 A Share Option Incentive Scheme is proposed with an aim to further drive the

achievement of the Company's longer-term target. It is proposed that the 2022 A Share Option Incentive Scheme shall provide incentives to business director, core technical staff and business backbone staff of the Company critical to the Company's business development including but not limited to research and development staff members with four-year appraisal period, when overall profit targets for the Company as well as individual performance targets will be required to fulfil. It is also proposed that the 2022 A Share Option Incentive Scheme shall provide a wider coverage (1,840 participants) as compared to the 2021 A Share Option Incentive Scheme (407 participants).

The Directors of the Company (including Independent Non-executive Directors) believe that the adoption of the Incentive Scheme will help the Company achieve the above objectives, and are also of the view that the terms and conditions of the Incentive Scheme are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **XVI. Implications under the Hong Kong Listing Rules**

This 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 reporting, announcement and Independent Shareholder's approval requirement. The Company will apply for a waiver from strict compliance with the requirement of note 1 to Rule 17.03(9) of the Hong Kong Listing Rules in respect of the Exercise Price of the Share Options which may be granted under the Incentive Scheme; the Company will also apply to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.03(13) of the Hong Kong Listing Rules so as to enable the adjustments to the Exercise Price of the Share Options granted under the Incentive Scheme.

#### **XVII. Annual General Meeting and Class Meetings**

An annual general meeting and Class Meetings of the Company will be held to consider and approve at discretion, amongst other things, the proposed adoption of the A Share Option Incentive Scheme. The Company will dispatch the notice of the annual general meeting, the notices of the Class Meetings and the circular containing further details of the terms of the A Share Option Incentive Scheme to the Shareholders as and when appropriate.

## DEFINITIONS

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

“A Share(s)”	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (Stock Code: 600690)
“Administrative Measures”	the Administrative Measures for Share Incentives of Listed Companies
“Articles of Association”	articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of directors of the Company
“Class Meeting(s)”	the A Shareholders’ Class Meeting, the D Shareholders’ Class Meeting and the H Shareholders’ Class Meeting to be convened by the Company for approving the Incentive Scheme
“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 Hong Kong Stock Exchange (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
“Director(s)”	director(s) of the Company
“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)

“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 Incentive Scheme, i.e., the Participants’ purchase of the Shares of Haier Smart Home Co., Ltd. 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 Scheme
“Exercise Price”	the price determined under the Scheme, at which the Participants shall 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 share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 6690)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Incentive Scheme” or “Scheme”	the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
“Independent Director(s)” or “Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company
“Participant(s)”	Core personnel who play an important role in the overall performance and long-term development of the Company in accordance with the provisions of the Incentive Scheme, including business director, core technical staff and (business) backbone staff of the Company

“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region and Taiwan
“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 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(s)”	the period commencing from the Grant Date of the Share Options to the date when all Share Options are Exercised or cancelled
“Vesting Period(s)”	the period commencing from the Grant Date of the Share Options and ending on the Exercisable Date of the Share Options
“%”	per cent

By order of the Board  
**Haier Smart Home Co., Ltd.\***  
**LIANG Haishan**  
*Chairman*

Qingdao, the PRC  
28 April 2022

*As at the date of this announcement, 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