

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



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

ADJUSTMENTS TO THE LIST OF PARTICIPANTS AND THE NUMBER OF OPTIONS GRANTED UNDER THE 2022 A SHARE OPTION INCENTIVE SCHEME GRANT OF THE 2022 A SHARE OPTIONS TO THE PARTICIPANTS

References are made to the announcement of Haier Smart Home Co., Ltd. (the “**Company**”) dated 28 April 2022, the circular dated 7 June 2022 (the “**Circular**”) and the poll results announcement dated 28 June 2022 in relation to, among others, the proposed adoption of the 2022 A Share Option Incentive Scheme (the “**Incentive Scheme**”). Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the Circular.

1. ADJUSTMENT TO THE LIST OF PARTICIPANTS AND THE NUMBER OF OPTIONS GRANTED UNDER THE INCENTIVE SCHEME

A meeting of the Board of Directors was convened on 28 June 2022, at which, among other things, the Resolution on Adjustment of the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. was considered and passed unanimously. As 6 Participants under the Incentive Scheme have become ineligible as Participants due to loss of office, the Board of Directors has decided to disqualify them as Participants. In view of the above, the Company has adjusted the number of Participants and the number of Options granted under the Incentive Scheme accordingly (the “**Adjustment**”).

After the Adjustment, the number of Participants granted was adjusted from 1,840 to 1,834 and the number of Share Options granted was adjusted from 105,152,000 to 104,756,896.

The Adjustment will not have a material impact on the financial condition and results of operations of the Company, nor will it affect the stability of the management team of the Company or the continued implementation of the Incentive Scheme.

The Adjustment was authorized by the Board of Directors at the Annual General Meeting and Class Meetings of the Company and there is no need to submit to the general meeting of the Company for consideration.

2. PARTICULARS OF THE OPTION GRANT

Based on the enquires made by the Board, none of the events as disclosed in the Circular under which the Participants may not be granted the Share Options has occurred to the Company or the Participants. The conditions for the grant under the Incentive Scheme have been fulfilled. The grant particulars under the Incentive Scheme are as follows:

- 1) Grant Date: 28 June 2022
- 2) Grant Amount: 104,756,896 Options
- 3) Number of Participants of Grant: 1,834 people
- 4) Exercise Price of the Grant: RMB23.86 per Share

Closing price of shares on the Grant Date: closing price on the Grant Date of the Company's A shares was RMB27.01 per share and H shares was HKD28.85 per share

- 5) Source of Shares: ordinary A shares to be directly issued to the Participants by the Company
- 6) Validity Period, Vesting Period and exercise arrangement of the Incentive Scheme

The Share Options granted will be valid for a maximum period of 60 months commencing from the Grant Date to the date of full exercise or cancellation of all Share Options granted to the Participants.

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

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

7) List of Participants and particulars of the grant

The Company granted 104,756,896 Share Options, representing 1.11% of the total number of shares of the Company as at the date of announcement of the Incentive Scheme. The allocation of the Share Options granted to the Participants is as follows:

Participants	Number of Share Options granted (0'000)	As percentage to the total number of Share Options granted	Percentage to the existing share capital
Head of operation of the Company, core technical (technical personnel and business) backbone staff (1,834 people) ^{Note}	10,475.6896	100%	1.11%

Note:

The Participant, LIU Xiaomei, was newly appointed as a senior executive (Secretary to the Board) at the time of the Grant, and the number of share options granted to her was 116,468, representing 0.11% of the total number of share options granted.

3. OPINION OF THE BOARD OF SUPERVISORS

In accordance with the relevant provisions of the Company Law, the Securities Law, the Administrative Measures for Share Incentives of Listed Companies and other relevant laws, regulations and regulatory documents, as well as the Articles of Association of the Company and the 2022 Share Option Incentive Scheme of Haier Smart Home Co., Ltd., the Board of Supervisors issued the following verification opinion with reference to the results of the verification on the list of Participants:

- 1) The Participants of the grant under the Incentive Scheme meet the conditions and employment requirements of an incentive participant as stipulated in the Company Law, the Securities Law, the Administrative Measures for Share Incentives of Listed Companies and other relevant laws, regulations and regulatory documents as well as the Articles of Association of the Company. There is no circumstance where a Participant is forbidden to become an incentive participant as stipulated in Article 8 of the Administrative Measures for Share Incentives of Listed Companies, and the conditions to participate in the Incentive Scheme are met and the conditions for the grant of Share Options to the Participants under the Incentive Scheme have been fulfilled. The grant is beneficial to the sustainable development of the Company, without any obvious prejudice to the interests of the Company and all Shareholders.

- 2) In view of the fact that 6 Participants in the list of Participants granted under the Incentive Scheme no longer meet the Participants conditions due to loss of office, therefore, the Board of Supervisors concurs with the adjustment of the number of Participants and the number of Options granted under the Incentive Scheme to be made by the Board of Directors in accordance with the relevant provisions of the Incentive Scheme and the authorization of the Annual General Meeting and the Class Meetings. The adjustment of the number of Participants and the number of Options granted under the grant is in compliance with the Administrative Measures for Share Incentives of Listed Companies and the relevant provisions of the Incentive Scheme. The Company has followed the necessary procedures in making the decision, and the Adjustment is conducive to the sustainable development of the Listed Company without prejudice to the interests of the Company and the Shareholders.
- 3) Based on the above, the Board of Supervisors unanimously approved the grant and the Adjustment to the Incentive Scheme.

4. IMPACT ON THE FINANCIAL POSITION OF THE COMPANY AFTER THE GRANT OF ENTITLEMENT

In accordance with the requirements of the Accounting Standards for Enterprises No.11 — Share-based Payment and the Accounting Standards for Enterprises No.22 — Recognition and Measurement of Financial Instrument issued by the Ministry of Finance, the Company shall, on each balance sheet date during the Vesting Period, adjust the estimated number of Share Option that may be exercised in accordance with the latest number of the Participants who have fulfilled the exercise conditions and the performance indicators, and recognize the services received during the period as the relevant costs or expenses and capital reserve in accordance with the fair value of the Shares Option on the Grant Date.

In accordance with the following accounting treatment, the Company shall measure and account for the cost of the 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 (“**B-S Model**”) to determine the fair value of the Share Options on the Grant Date.

- 2) Vesting Period Accounting Treatment: The Company shall include 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”.
- 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 determine 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 expected volatility of the Share price;
- 5) predicted dividend of the Share;
- 6) risk-free rate of the Option within the Validity Period.

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 expected 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*

- (i) Share Price (S): RMB27.01 per share (the closing price of A Shares on the Grant Date, i.e. 28 June 2022).
- (ii) Exercise Price (K): RMB23.86 per share.
- (iii) Risk-free Rate (r): Based on the yield to maturity of the Chinese government bond from Bloomberg, the risk-free yield is 1.997% for the first year, 2.358% for the second year, 2.452% for the third year, 2.561% for the fourth year and 2.67% 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.
- (iv) 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).
- (v) Historic Volatility (σ): 0.3677 (1 year); 0.4016 (2 years); 0.3783 (3 years); 0.3795 (4 years). In calculating the historical volatility, the selected range is the Company's continuous closing price for the last 4 years. Meanwhile, the respective historical volatility for the past 1, 2, 3 and 4 years is calculated based on the difference during the Vesting Period.
- (vi) Dividend Yield (i): 1.7031%, based on the dividend yield from Bloomberg on the Valuation Date (i.e. 28 June 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 104,756,896 options granted under the Incentive Scheme is RMB777 million, representing the cost of the Share Options to be amortized is RMB777 million, which will be amortized over the Vesting Period of the Incentive Scheme. The Company granted options on 28 June 2022 and the amortization of the Share Options costs for 2022–2026 would be as follows (in RMB hundred million):

Number of the Share Options granted (0'000)	Total cost to be amortized	2022	2023	2024	2025	2026
10,475.6896	7.77	1.87	2.93	1.75	0.93	0.29

Notes:

- 1) The above results do not represent the final accounting costs. Apart from the Grant Date, the grant price and the number of grants, the actual accounting costs will also depend on the actual effective and lapsed quantities.
- 2) The final result of the impact of the above on the Company's operating results will be subject to the annual audit report issued by the accounting firm.
- 3) In the above table, the numbers may not add up due to rounding adjustments.

5. OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

In relation to the grant of Share Options to the Participants under the Incentive Scheme, the Independent Non-Executive Directors believe that:

- 1) There is no circumstance under which the Company is forbidden to implement the Share Incentive Scheme as prescribed in the Administrative Measures for Share Incentives of Listed Companies and other laws and regulations. The Company is qualified to implement the Share Incentive Scheme.
- 2) The Participants granted with the Share Options for the grant have satisfied the employment requirements as required by the Company Law, the Securities Law and other laws, regulations and regulatory documents as well as the Articles of Association of the Company, and there is no circumstance where a person is forbidden to become an incentive participant as stipulated in the Administrative Measures for Share Incentives of Listed Companies. The Participants meet the Participant conditions as stipulated in the Incentive Scheme, and their qualifications in the Scheme as a subject are legal and valid.

- 3) The Grant Date of the Incentive Scheme meets the relevant regulations of the Administrative Measures for Share Incentives of Listed Companies and the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.
- 4) The Company has no plan or arrangement to provide loans, guarantee for loans or financial assistance in any other form to the Participants.
- 5) In view of the fact that 6 Participants on the list of Participants granted under the Incentive Scheme are no longer eligible to become Participants due to loss of office, therefore, the Independent Non-executive Directors concurs with the adjustment of the number of Participants and the number of Options granted under the Incentive Scheme to be made by the Board of Directors in accordance with the relevant provisions of the Incentive Scheme and the authorization of the Annual General Meeting and the Class Meetings. The adjustments to the number of Participants and the number of Options granted under the grant are in compliance with the Administrative Measures for Share Incentives of Listed Companies and the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. The Company has followed the necessary procedures in making the decision without prejudice to the interests of the Company and the Shareholders.
- 6) The grant and the Adjustment is conducive to the following: optimizing the corporate governance structure and enhancing the value of the Company and its Shareholders; innovating the remuneration system of the Company and further attracting talents; motivating the enthusiasm of the Participants and achieving business development across cycles; undertaking the long-term development strategic objectives of the Company and achieving industry leadership; and promoting the sustainable development of the Company, without any obvious prejudice to the interests of the Company and all Shareholders.

Based on the above, the Independent Non-executive Directors unanimously approved the grant and the Adjustment to the Incentive Scheme.

6. FUNDING ARRANGEMENT FOR THE SUBSCRIPTION OF SHARE OPTIONS AND PAYMENT OF INDIVIDUAL INCOME TAX BY THE PARTICIPANTS

The funds used by the Participants for the subscription of Share Options and payment of individual income tax shall be derived from their own funds. In respect of the subscription of relevant Share Options in accordance with the Incentive Scheme, the Company undertakes not to provide loans to the Participants, nor any other financial aids, such as providing guarantee for their loans.

7. CONCLUSIVE VIEWS OF THE LEGAL OPINION

Beijing Zhonglun Law Firm is of the view that, as at the date of the legal opinion, the conditions for the grant by the Company have been met, the necessary approval and authorization at this stage for the Adjustment and the grant have been obtained; relevant particulars relating to the Adjustment, the Grant Date and the grantees of the grant are in compliance with the Administrative Measures for Share Incentives of Listed Companies and other relevant laws and regulations and Articles of Association of the Company, as well as the relevant provisions of the Incentive Scheme; the Company is subject to relevant procedures such as information disclosure, registration and announcement regarding the grant.

By order of the Board
Haier Smart Home Co., Ltd.*
LI Huagang
Chairman

Qingdao, the PRC
28 June 2022

As at the date of this announcement, the executive Directors of the Company are Mr. LI Huagang and Mr. GONG Wei; the non-executive Directors are Mr. YU Hon To, David, Ms. Eva LI Kam Fun and Ms. SHAO Xinzhi; 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*