

*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.*



**HISENSE HOME APPLIANCES GROUP CO., LTD.**

**海信家電集團股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 00921)

- (1) Proposed Adoption of the 2022 Restricted A Share Incentive Scheme;**
- (2) Proposed Adoption of the Administrative Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme;**
- (3) Proposed Authorization to the Board to Deal with Matters relating to the 2022 Restricted A Share Incentive Scheme;**
- (4) Proposed Adoption of the 2022 A Share Employee Stock Ownership Plan;**
- (5) Proposed Adoption of the Administrative Measures for the 2022 A Share Employee Stock Ownership Plan;**
- (6) Proposed Authorization to the Board to Deal with Matters relating to the 2022 A Share Employee Stock Ownership Plan; and**
- (7) Repurchase of A Shares by Centralized Bidding**

**I. PROPOSED ADOPTION OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME AND PROPOSED ADOPTION OF THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

The Board hereby announces that on 30 December 2022, at the 10th meeting of the eleventh session of the Board, the Board resolved and approved, among other things, (i) the proposed adoption of the Incentive Scheme; (ii) the proposed adoption of the Administrative Measures for the Appraisal System of the Incentive Scheme; (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme; (iv) the proposed adoption of the Stock Ownership Plan; (v) the proposed adoption of the Administrative Measures for the Stock Ownership Plan; (vi) the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan; and (vii) the repurchase of A Shares by centralized bidding.

Items (i) to (iii) above are subject to the approval by the Shareholders at the EGM and the Class Meetings by way of special resolutions, while items (iv) to (vi) are subject to the approval by the Shareholders at the EGM by way of ordinary resolutions.

**1. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme**

The principal terms of the Incentive Scheme are set out below:

**1.1 Purposes of the Incentive Scheme**

The purposes of the Incentive Scheme are to further establish and improve the Company's long-term incentive mechanism, attract and retain excellent talents, fully mobilize the enthusiasm of the

mid-level management and key staff of the Company, effectively align the interests of the Shareholders, the Company and individuals of the core team to focus on the long-term development of the Company.

## **1.2 Source of Restricted Shares to be Granted**

The source of the underlying shares under the Incentive Scheme shall be ordinary A Shares of the Company to be issued to the Participants through directed offering by the Company.

## **1.3 Number of Restricted Shares to be Granted**

The Restricted Shares proposed to be granted to the Participants under the Incentive Scheme shall be 29,618,000 Shares, the underlying Shares of which are RMB ordinary A Shares, representing approximately 3.28% of the Company's total ordinary A Shares of 903,135,562 and 2.17% the Company's total share capital of 1,362,725,370 Shares as at the date of this announcement.

The cumulative total number of the Shares involved in all incentive schemes of the Company within their validity period shall not exceed 10% of the Company's total share capital. The total number of Shares granted under all incentive schemes of the Company to any Participant shall not exceed 1% of the total share capital of the Company.

The cumulative total number of Shares which may be issued by the Company under the Incentive Scheme and other incentive schemes within their validity period shall not exceed 10% of the total ordinary A Shares in issue as at the date of the approval of the Incentive Scheme on the date of the EGM and Class Meetings. During the 12-month period up to and including the date of the grant of shares of the Company under the Incentive Scheme, the total number of shares of the Company granted under the Incentive Scheme and granted or to be granted pursuant to other incentive schemes (excluding any interests that have lapsed under any scheme) to any Participant shall not exceed 1% of the total ordinary A Shares.

## **1.4 Participants**

There are 596 Participants to be granted under the Incentive Scheme, who are mid-level management and key staff of the Company.

All of the above Participants must be employed by the Company and enter into labour contracts or employment agreement with his/her employment unit at the time of the grant of Restricted Shares by the Company and during the appraisal period specified in the Incentive Scheme.

The Participants granted under the Incentive Scheme include certain expatriate employees. The expatriate employees, who are the Participants, are in the core key positions of the Company and play an important role in the future operation and development of the Company. The implementation of the Incentive Scheme can better stabilize and attract foreign top talents to join the Company. All Participants are the mid-level management and key staff of the Company, who are the pillar of achieving the strategic targets of the Company. The attraction, retention and the active mobility of such pillar are of utmost importance to the development of the Company. The Incentive Scheme will further facilitate the construction and stability of the core talent team of the Company, thus contributing to the long-term development of the Company.

The Participants under the Incentive Scheme do not include the independent Directors, supervisors of the Company, Shareholders individually or in aggregate holding more than 5% of the Shares or the de facto controllers and their spouses, parents or children.

The allocation of the Restricted Shares to be granted under the Incentive Scheme among the Participants is set out in the table below:

<b>Name</b>	<b>Position</b>	<b>Number of Restricted Shares granted (‘000 shares)</b>	<b>Percentage to the total number of Restricted Shares granted</b>	<b>Percentage to the total share capital of the Company as at the date of this announcement</b>
Mid-level management and key staff (596 Participants)		29,618.00	100%	2.17%
<b>Total</b>		<b>29,618.00</b>	<b>100%</b>	<b>2.17%</b>

## 1.5 Grant Price and Basis of Determination of Grant Price

### (A) *Grant Price of the Restricted Shares*

The Grant Price of the Restricted Shares under the Incentive Scheme shall be RMB6.64 per Share. Upon fulfilment of the conditions of grant, each Participant is entitled to purchase the Restricted Shares newly issued to the Participants by the Company at the price of RMB6.64 per Share.

### (B) *Basis of Determination of the Grant Price*

The Grant Price of the Restricted Shares under the Incentive Scheme shall not be lower than the nominal value of the shares and not be lower than 50% of the higher of the followings:

- the average trading price of the Shares for the last trading day preceding the date of this announcement (total trading amount for the last trading day/total trading volume for the last trading day) of RMB13.28 per Share;
- the average trading price of the Shares for the last 60 trading days preceding the date of this announcement (total trading amount of the Shares for the last 60 trading days/total trading volume of the Shares for the last 60 trading days) of RMB12.07 per Share.

## 1.6 Validity Period, Grant Date, Lock-up Period, Unlocking Arrangement and Black-out Period

### (A) *Validity Period*

The Validity Period of the Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all Restricted Shares granted to Participants are unlocked or repurchased, and shall not exceed 48 months.

### (B) *Grant Date*

The grant date shall be determined by the Board after the Incentive Scheme is considered and approved at the EGM and the Class Meetings, and shall be a trading day. The Company shall grant the Restricted Shares and complete the announcement and registration procedures within 60 days after the consideration and approval at the EGM and the Class Meetings. Where the Company fails to complete the above within such 60 days, it shall timely disclose the reasons for the failure and declare the termination of the Incentive Scheme, and the Restricted Shares which have not been granted shall lapse and no share incentive scheme shall be considered within three months from the date of announcement. However, the 60-day period excludes the below periods in which the Company is prohibited from granting the Restricted Shares.

- (a) During the period commencing one month immediately before the earlier of the date of board meeting (as such date if first notified to the Hong Kong Stock Exchange under the Hong Kong Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules), and the deadline for the Company to announce its results for any year or half-year under the Hong Kong Listing Rules, or quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules), and ending on the date of the results announcement. Where the date of results announcement is delayed, the period in which the Company is prohibited from granting the Restricted Shares shall cover any period of delay in the publication of the results announcement;
- (b) Within 30 days prior to the announcement of the annual report or half-year report of the Company. Where the date of the announcement is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of the announcement;
- (c) Within 10 days prior to the announcement of quarterly report, results forecast and preliminary results;
- (d) After inside information has come to the knowledge of the Company until (and including) the trading day after it has announced the information;
- (e) From the date of occurrence of a major event that may have a significant impact on the trading price of the Shares and derivatives of the Company or the date of entering into the decision-making process, until the date of disclosure in accordance with the law;
- (f) For the persons set out in Appendix 10 to the Hong Kong Listing Rules, including but not limited to the Directors, their spouse or minor child (whether natural or adopted), or any employee of the Company which is likely to possess inside information of the Company, no Restricted Shares shall be granted to them within 60 days prior to the publication of the annual results announcement of the Company, or if shorter, the period from the end of the relevant financial year up to the publication date of the results, and the date of the publication of such announcements, and within 30 days prior to the publication of the half-year and quarterly results announcement, or if shorter, the period from the end of the relevant half-year or quarterly period up to the publication date of the results, and the date of the publication of such announcements. The period in which the Company is prohibited from granting the Restricted Shares shall cover any period of delay in the publication of the results announcement;
- (g) Such other period as stipulated by the CSRC, Shenzhen Stock Exchange, SFC, the Hong Kong Stock Exchange and the Hong Kong Listing Rules.

**(C) Lock-up Period**

The lock-up period of the Restricted Shares granted under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares of the Participants, respectively. The Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debts before the unlocking of such Restricted Shares. Shares obtained by the Participants due to the capitalisation of capital reserve, bonus issue and share subdivision, pursuant to the Restricted Shares granted but not yet unlocked, shall be subject to the lock-up under the Incentive Scheme.

**(D) Unlocking Arrangement**

The unlocking period, unlocking schedule and ratio of the Restricted Shares under the Incentive Scheme are set out in the table below:

Unlocking arrangement	Unlocking period	Unlocking ratio
First unlocking period	Commencing from the first trading day after the expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	40%
Second unlocking period	Commencing from the first trading day after the expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%
Third unlocking period	Commencing from the first trading day after the expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	30%

The Restricted Shares which are not unlocked since the unlocking conditions are not fulfilled during the periods stipulated above shall not be unlocked or deferred to the next period for unlocking and the Company shall repurchase and cancel the corresponding Restricted Shares of the Participants in accordance with the principles set out in the Incentive Scheme.

Upon satisfaction of the unlocking conditions of the Restricted Shares, the Company will handle matters relating to the Restricted Shares that satisfy the unlocking conditions for the Participants.

**(E) *Black-out Period***

The black-out provisions of the Incentive Scheme shall be implemented in accordance with the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association, details of which are as follows:

- (a) where a Participant is a Director or a member of the senior management of the Company, Shares transferred by the Participant each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her and the Shares held by him/her shall not be transferred within six months after he/she leaves office;
- (b) where a Participant is a Director or a member of the senior management of the Company and he/she disposes of any Shares within six months after the acquisition or buy-back of such Shares within six months after disposal, all gains arising therefrom shall belong to the Company and the Board shall forfeit such gains;
- (c) where, during the Validity Period of the Incentive Scheme, there is any change to the requirements regarding the transfer of Shares held by the Directors and senior management of the Company under the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association, the transfer of Shares held by such Participants shall comply with the amended requirements at the time of transfer.

## **1.7 Conditions of Grant and Unlocking of the Restricted Shares**

**(A) *Conditions of Grant of the Restricted Shares***

The Company shall grant the Restricted Shares to the Participants upon satisfaction of all of the following conditions of the grant. On the contrary, where any of the following conditions of the grant is not satisfied, no Restricted Shares shall be granted to the Participants.

- (a) None of the followings occurred to the Company:
  - (i) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the most recent accounting year;
  - (ii) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control for the most recent accounting year;
  - (iii) the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
  - (iv) the implementation of share incentives is prohibited by laws and regulations;
  - (v) other circumstances as determined by the CSRC.

(b) None of the followings occurred to the Participants:

- (i) the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;
- (ii) the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;
- (iii) the Participant has been subject to administrative punishment or measures for banning the entry into the market by the CSRC and its delegated agencies due to material violation of laws and regulations within the last 12 months;
- (iv) the Participant is prohibited from acting as a Director or a member of the senior management of the Company pursuant to the Company Law;
- (v) the Participant is prohibited from participating in share incentives of listed companies pursuant to the laws and regulations;
- (vi) other circumstances as determined by the CSRC.

**(B) *Unlocking Conditions of the Restricted Shares***

The Company must satisfy the following conditions before the Restricted Shares granted under the Scheme may be unlocked.

(a) None of the followings occurred to the Company:

- (i) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the most recent accounting year;
- (ii) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control for the most recent accounting year;
- (iii) the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
- (iv) the implementation of share incentives is prohibited by laws and regulations;
- (v) other circumstances as determined by the CSRC.

(b) None of the followings occurred to the Participants:

- (i) the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;
- (ii) the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;

- (iii) the Participant has been subject to administrative punishment or measures for banning the entry into the market by the CSRC and its delegated agencies due to material violation of laws and regulations within the last 12 months;
- (iv) the Participant is prohibited from acting as a Director or a member of the senior management of the Company pursuant to the Company Law;
- (v) the Participant is prohibited from participating in share incentives of listed companies pursuant to the laws and regulations;
- (vi) other circumstances as determined by the CSRC.

Where any of the circumstances stipulated in (a) above occurs to the Company, all Restricted Shares granted to the Participants under the Incentive Scheme but not yet unlocked shall be repurchased at the Grant Price and cancelled by the Company. Where any of the circumstances stipulated in (b) above occurs to a Participant, the Restricted Shares granted to the Participant under the Incentive Scheme but not yet unlocked shall be repurchased at the Grant Price and cancelled by the Company.

(c) Performance appraisal requirements of the Company

The appraisal years under the Incentive Scheme are the three accounting years from 2023 to 2025, and the appraisal will be conducted once every accounting year to determine the unlocking ratio of the Restricted Shares at the Company level based on the achievement of the Company's performance appraisal targets. The performance appraisal targets of each year and its corresponding unlocking ratio arrangements are as set out in the table below:

Unlocking period	Appraisal indicator for the appraisal year	Growth rate of net profit (A)	
		Target value (Am)	Trigger value (An)
First unlocking period	Growth rate of net profit for 2023 compared to that of 2021	62%	50%
Second unlocking period	Growth rate of net profit for 2024 compared to that of 2021	86%	69%
Third unlocking period	Growth rate of net profit for 2025 compared to that of 2021	109%	87%

Appraisal indicator	Performance completion level	Unlocking ratio at the Company level (X)
Growth rate of net profit (A)	$A \geq A_m$	$X=100\%$
	$A_n \leq A < A_m$	$X=80\%$
	$A < A_n$	$X=0\%$

Notes:

1. The above “net profit” indicators are calculated based on the audited net profit attributable to the Shareholders, excluding the impact of the expenses of share-based payments arising from the implementation of the Incentive Scheme and other share incentive schemes and employee stock ownership plan (if any) for the period.
2. The above performance appraisal targets are not performance undertakings made by the Company to investors.

Where the Company fails to meet the above performance appraisal targets, all the Restricted Shares of the Participants which may be unlocked in the corresponding appraisal year shall not be unlocked, and shall be repurchased at the Grant Price and cancelled by the Company.

(d) Performance appraisal requirements of the individual Participants

The appraisal of the individual Participants will be conducted on an annual basis in accordance with the measures for performance appraisal formulated by the Company, and the actual unlocking ratio for the Participants will be determined based on the appraisal results of each year. The performance appraisal results of the Participants are divided into five grades, namely S, A, B, C and D. The details of its corresponding unlocking ratio are set out in the following table:

Appraisal grade	S	A	B	C	D
Unlocking ratio at the individual level	100%			70%	0%

The actual unlocking amount of the individual Participants for the relevant year = the planned unlocking amount of the individual for that year x the unlocking ratio at the Company level x the unlocking ratio at individual level.

All Restricted Shares which are planned to be unlocked for the Participants during the relevant period but cannot be unlocked or fully unlocked due to the appraisal shall be repurchased at the Grant Price and cancelled by the Company.

(C) *Scientificity and Reasonableness of the Appraisal Indicators*

The appraisal indicators of the Incentive Scheme are divided into two levels, namely the Company level and individual level. The performance appraisal indicator at the Company level is the growth rate of net profit, which truly reflects the Company’s operating conditions and profitability and is an important indicator for predicting business growth. The indicator targets are forward-looking and challenging, taking into full consideration various factors including the changes in the industry cycle, historical performance fluctuations and future business development plans of the Company and other factors. Such targets will help motivate employees to promote the implementation and completion of the Company's

business strategies and objectives, ensure stable growth of the Company's results, promote the steady increase of the Company's market value and create value for shareholders.

In addition to the performance appraisal at the Company level, the Company has set up a strict performance appraisal system at individual level, which can make a more accurate and comprehensive assessment on the performance of the Participants. The Company will determine whether the Participants meet the conditions for unlocking the Restricted Shares based on their performance appraisal results for the previous year.

In conclusion, the appraisal system of the Incentive Scheme of the Company is complete, comprehensive and feasible, and the appraisal indicators are scientific and reasonable, which are binding on the Participants and can achieve the incentive purpose of the Incentive Scheme.

## **1.8 Adjustment to the Number of Restricted Shares and the Grant Price**

In the event of any capitalisation of capital reserve, bonus issue, sub-division of shares, rights issue or consolidation of shares of the Company in the period from the date of this announcement to the completion of registration of the Restricted Shares by the Participants, the number of the Restricted Shares and the Grant Price shall be adjusted accordingly.

## **1.9 Amendment and Termination**

### ***(A) Procedures for Amendments to the Incentive Scheme***

If the Company intends to amend the Incentive Scheme before it is considered at the EGM and the Class Meetings, such amendment shall be considered and approved by the Board.

If the Company intends to amend the Incentive Scheme after it has been considered and approved at the EGM and the Class Meetings, such amendment shall be considered and determined at the EGM and the Class Meetings, and the amendment shall not include the following circumstances:

- (a) leading to an early unlocking;
- (b) a reduction of the Grant Price.

The independent Directors and the Supervisory Committee shall give independent opinions on whether the amended scheme will be conducive to the sustainable development of the Company and whether there are any situations that clearly harm the interests of the Company and all Shareholders.

The law firm shall give professional opinions on whether the amended scheme complies with the requirements of the Administrative Measures and relevant laws and regulations and whether there are any situations that clearly harm the interests of the Company and all Shareholders.

### ***(B) Procedures for Termination of the Incentive Scheme***

Where the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the EGM and the Class Meetings, the termination shall be considered and approved by the Board.

Where the Company terminates the Incentive Scheme after the Incentive Scheme is considered and approved at the EGM and the Class Meetings, the termination shall be considered and approved at the general meeting, the A Share class meeting and the H share class meeting of the Company.

#### **1.10 Accounting Treatment and Impact on the Company's Operating Results**

According to the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, on each balance sheet date during the lock-up period, the Company shall revise the number of the Restricted Shares expected to be unlocked with reference to the changes in the latest available number of persons eligible to unlock the Restricted Shares and the completion status of performance indicators, and recognize the services obtained in the current period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares as of the grant date.

##### **(A) Accounting Treatment**

###### **(a) Grant date**

Bank deposits, share capital, capital reserve, treasury shares and other payables are recognised according to the grant of Shares by the Company to the Participants.

###### **(b) Each balance sheet date during the lock-up period**

According to the requirements of the accounting standards, on each balance sheet date within the lock-up period, the services provided by employees shall be included in the costs and expenses, and the owner's equity or liabilities shall also be recognized.

###### **(c) Unlocking date**

On the unlocking date, Shares can be unlocked if the unlocking conditions are met; if all or part of Shares are not unlocked and thus become invalid or void, they shall be dealt with in accordance with the accounting standards and relevant regulations.

###### **(d) Fair value of the Restricted Shares and determination method**

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company measures the fair value of the Restricted Shares based on the market price. On the measurement date, the fair value of share-based payment per Restricted Share = the market price of Shares - the Grant Price, which is RMB6.53 per Share.

##### **(B) Estimation of the Impact of Incentive Cost on the Company's Operating Results**

The total expenses to be recognized for the grant of 29,618,000 Restricted Shares by the Company is expected to be RMB193,405,500, which shall be borne by the Company in

proportion to each unlocking during the lock-up period of the Incentive Scheme, and the capital reserve will be increased accordingly. Assuming the grant date being early May 2023, the amortization of the cost of the Restricted Shares from 2023 to 2026 is estimated as follows:

<b>Number of Restricted Shares ('000 shares)</b>	<b>Total expenses subject to amortisation (RMB'000)</b>	<b>2023 (RMB'000)</b>	<b>2024 (RMB'000)</b>	<b>2025 (RMB'000)</b>	<b>2026 (RMB'000)</b>
29,618.00	193,405.50	83,809.10	74,138.80	29,010.80	6,446.90

*Notes:*

1. The above results do not represent the final accounting cost. The actual accounting costs are not only related to the actual grant date, the closing price on the grant date and the number of grants, but also related to the actual number of effective and lapsed grants. Shareholders are also reminded of the potential dilution effect of the above expenses of share-based payments.
2. The final results of the impact of the above estimated amortisation expenses on the operating results of the Company shall be subject to the annual audit report issued by the accounting firm.

Based on the current information, the Company preliminarily estimates that, without taking into account the stimulation effects of the Incentive Scheme on the Company's performance, the amortization of the expenses of the Restricted Shares will have an impact on the net profit of each year during the Validity Period, but the impact is not significant. Taking into account the positive impact of the Incentive Scheme on the development of the Company, which will stimulate the enthusiasm of the Participants, improve the operating efficiency and reduce the agency costs, the impact of the improvement in the Company's performance brought by the Incentive Scheme will be higher than that of the increase in the expenses arising therefrom.

### **1.11 Proposed Issue of Restricted A Shares under the Specific Mandate**

Subject to the approval by the Shareholders at the EGM and the Class Meetings, no more than 29,618,000 Restricted Shares, representing approximately 3.28% and 2.17% of the total number of A Shares and the total issued share capital of the Company as at the date of this announcement, will be granted to no more than 596 Participants under the Incentive Scheme. The Restricted Shares to be granted will be allotted and issued under the Specific Mandate which may be granted at the EGM and the Class Meetings.

No Restricted Shares will be granted to connected persons of the Company.

In addition to the principal terms of the Incentive Scheme as set out in the section headed "I. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme and Proposed Adoption of the 2022 A Share Employee Stock Ownership Plan – 1. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme" above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme is set out below:

#### **(A) Total Amount to be Raised and Proposed Use of Proceeds**

An amount of not more than RMB196,663,520, being the total Grant Price, will be paid by the Participants to subscribe for 29,618,000 Restricted Shares under the Incentive Scheme. The proceeds received by the Company from the Incentive Scheme will be used for the working capital of the Group.

**(B) Grant Price**

The Grant Price of the Restricted Shares under the Incentive Scheme shall be RMB6.64 per A Share, which is determined with reference to the basis set out in the section headed “I. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme and Proposed Adoption of the 2022 A Share Employee Stock Ownership Plan – 1. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – 1.5 Grant Price and Basis of Determination of Grant Price” above. Participants who satisfy the grant conditions may purchase the Restricted Shares issued by the Company at the Grant Price.

**(C) Dilution Effect**

The shareholding structure of the Company, before and after all the Restricted Shares granted to the Participants under the Incentive Scheme have been issued and unlocked, is as follows:

	<b>As at the date of this announcement</b>	<b>Assuming all Restricted Shares under the Incentive Scheme are granted and issued</b>
Number of A Shares	903,135,562	932,753,562
Number of H Shares	459,589,808	459,589,808
Total	1,362,725,370	1,392,343,370

**(D) Aggregate Nominal Value**

The nominal value of the A Shares is RMB1.00 each. The aggregate nominal value of the Restricted Shares to be granted under the Incentive Scheme shall not exceed RMB29,618,000.

**(E) Fund Raising Activities in the Previous 12 Months**

The Company has not conducted any equity fund raising activity in the 12 months preceding the date of this announcement.

**2. Proposed Adoption of the Administrative Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme**

In order to ensure the smooth implementation of the Incentive Scheme, the Administrative Measures for the Appraisal System of the Incentive Scheme is formulated in accordance with the provisions of the relevant laws, regulations and regulatory documents, including the Company Law, the Securities Law, the Administrative Measures, the Self-regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Business Handling, the Hong Kong Listing Rules, the Articles of

Association and the Incentive Scheme, and taking into account the actual situation of the Company. The full text of the Administrative Measures for the Appraisal System of the Incentive Scheme will be set out in the circular to be despatched to the Shareholders in due course.

### **3. Proposed Authorization to the Board to Deal with Matters relating to the 2022 Restricted A Share Incentive Scheme**

In order to implement the Incentive Scheme, the Board proposes at the EGM and the Class Meetings to authorize the Board to deal with the following in relation to the Incentive Scheme:

3.1 It will be proposed at the EGM and the Class Meetings to authorize the Board to implement the following of the Incentive Scheme:

- (a) to authorize the Board to determine the qualifications and conditions of the Participants' participation of the Incentive Scheme and to determine the grant date of the Restricted Shares;
- (b) to authorize the Board to make corresponding adjustments to the number of the Restricted Shares and the number of underlying Shares involved in accordance with the methods stipulated in the Incentive Scheme if there are events such as capitalisation of capital reserve, bonus issue, sub-division of shares, consolidation of shares or rights issue of the Company;
- (c) to authorize the Board to make corresponding adjustments to the Grant Price of the Restricted Shares in accordance with the methods stipulated in the Incentive Scheme if there are events such as capitalisation of capital reserve, bonus issue, sub-division of shares, consolidation of shares or rights issue of the Company;
- (d) to authorize the Board to grant the Restricted Shares to the Participants and to deal with all matters necessary for the grant of the Restricted Shares when the Participants meet the conditions, including signing the Agreement for the Grant of Restricted Shares with the Participants;
- (e) to authorize the Board to review and confirm the unlocking qualifications and unlocking conditions, and to authorize the Board to delegate such rights to the Remuneration and Appraisal Committee to exercise;
- (f) to authorize the Board to determine whether the Participants can unlock and Restricted Shares, and to deal with matters in relation to the lock-up of the Restricted Shares which are not yet unlocked;
- (g) to authorize the Board to deal with all matters necessary for the unlocking of the Restricted Shares of the Participants, including but not limited to making application to the Stock Exchanges for unlocking, applying to the registration and clearing house for relevant registration and settlement matters, amending the Articles of Association and dealing with the registration of the changes in the registered capital of the Company;
- (h) to authorize the Board to deal with the modification and termination of the Incentive Scheme in accordance with the requirements under the Incentive Scheme, including but not limited to the disqualification for unlocking of the Participants, the repurchase and cancellation of the Restricted Shares which have not been unlocked to the Participants, and the procedures in relation to the inheritance of the Restricted Shares which have not been unlocked to the deceased Participants;

- (i) to authorize the Board to manage and adjust the Incentive Scheme, and to formulate or amend the management and implementation rules of the Incentive Scheme from time to time without contradicting the terms of the Incentive Scheme; provided that where such amendments are required by the laws, regulations or relevant regulatory authorities to be approved by the general meeting or the relevant regulatory authorities, such amendments by the Board shall be approved accordingly; and
- (j) to authorize the Board to implement other necessary matters required by the Incentive Scheme, except for those rights expressly stipulated in the relevant documents to be exercised by the general meeting.

3.2 It will be proposed at the EGM and the Class Meetings to authorize the Board to deal with the procedures for approval and registration, filing, verification and consent with the relevant governments and authorities in relation to the Incentive Scheme; to sign, execute, amend and complete the documents submitted to the relevant authorities, organizations and individuals; to amend the Articles of Association and to deal with the registration of changes in the registered capital of the Company; and to do all such acts as it deems necessary, expedient or appropriate in relation to the Incentive Scheme.

3.3 It will be proposed at the EGM and the Class Meetings to authorize the Board to appoint intermediaries such as financial advisers, receiving banks, accountants, lawyers and securities companies in relation to the implementation of the Incentive Scheme.

3.4 It will be proposed at the EGM and the Class Meetings that the authorization period to the Board shall be consistent with the Validity Period of the Incentive Scheme.

#### **4. Proposed Adoption of the 2022 A Share Employee Stock Ownership Plan**

The principal terms of the Stock Ownership Plan are set out below:

##### **4.1 Purposes of the Stock Ownership Plan**

The purposes of the Stock Ownership Plan are to establish and improve the mechanism for sharing benefits between employees and shareholders, attract, motivate and retain core talents, improve corporate governance standards, increase the cohesion of employees and competitiveness of the Company, raise the enthusiasm and creativity of employees, and promote the long-term, sustainable and healthy development of the Company.

##### **4.2 ESOP's Participants and their Determination Criteria**

###### ***(A) Legal Basis for Determining the ESOP's Participants***

The Company has determined the eligibility of the ESOP's Participants according to the Company Law, the Securities Law, the Guiding Opinions, the Self-regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of the Companies Listed on the Main Board and other laws, regulations and regulatory documents as well as the relevant provisions of Articles of Association. The employees of the Company shall participate in the Stock Ownership Plan in accordance with the principles of legal compliance, voluntary participation and voluntary risk assumption.

***(B) Position Basis Determined by the ESOP's Participants***

The ESOP's Participants are Directors (excluding independent Directors), supervisors, senior management and other core employees of the Company, who have an important role and influence on the overall performance and medium- to long-term development of the Company.

The total number of Directors (excluding independent Directors), supervisors, senior management and other core employees participating in the Stock Ownership Plan shall not exceed 30 (excluding the reserved shares) for the first grant. The exact number of the ESOP's Participants is determined based on the actual payment made by the employees. The employees' participation in the Stock Ownership Plan shall follow the principles of the Company's discretionary decisions and employees' voluntary participation. The Company shall not force employees to participate in the Stock Ownership Plan by means such as apportionment and mandatory distribution.

***(C) ESOP's Participants and Proportion of Allocation***

The subscription unit of the Stock Ownership Plan is "unit", and each unit amounts to RMB1 and the maximum number of units under the Stock Ownership Plan is 77,688,000. The number of Shares granted under the Stock Ownership Plan corresponding to the units subscribed and held by any one Holder shall not exceed 1% of the total share capital of the Company. The specific number of units held by the Holders of the Stock Ownership Plan shall be determined by the actual payment made by the employees.

The total number of Directors (excluding independent Directors), supervisors, senior management and other core employees of the Company participating in the Stock Ownership Plan shall not exceed 30 (excluding the reserved shares) for the first grant, including 6 Directors, supervisor and senior management. The relationship between such personnel and the Stock Ownership Plan does not constitute acting-in-concert relationship.

The specific proportion of subscription is as follows:

No.	Name	Position	Proposed number of units to be subscribed ('000 units)	Percentage of the Stock Ownership Plan	The number of Shares corresponding to the proposed subscription units ('000 shares)
1.	Dai Hui Zhong	Chairman and chief executive	5,976.00	7.69%	900.00
2.	Jia Shao Qian	Executive Director	3,652.00	4.70%	550.00
3.	Gao Yu Ling	Executive Director and person-in-	3,652.00	4.70%	550.00

		charge of finance			
4.	Xia Zhang Zhua	Executive Director	2,988.00	3.85%	450.00
5.	Zhang Yu Xin	Secretary to the Board	1,195.20	1.54%	180.00
6.	Yin Zhi Xin	Supervisor	1,460.80	1.88%	220.00
Sub-total			18,924.00	24.36%	2,850.00
Other core employees (not exceeding 24 people)			45,484.00	58.55%	6,850.00
Reserved shares			13,280.00	17.09%	2,000.00
Total			77,688.00	100.00%	11,700.00

*Notes:*

1. The specific number of Shares held by the Holders is based on the number of Shares listed in the “Share Subscription Agreement in relation to the 2022 A Share Employee Ownership Plan of Hisense Home Appliances Group Co., Ltd.” signed between the ESOP’s Participants and the Company.
2. Figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding.

In the event of non-subscription by some employees, the Management Committee is authorized by the Board to reallocate such Shares to other eligible employees or to include them as reserved shares, provided that if the person to whom such Shares are allocated is a Director, supervisor or senior management member of the Company, such allocation shall be submitted to the Board for consideration and determination.

In order to meet the needs of the sustainable development of the Company and to continuously attract and retain outstanding talents, it is proposed that 2,000,000 Shares, representing 17.09% of the total number of Shares of the Stock Ownership Plan, will be reserved under the Stock Ownership Plan as reserved shares. The scheme of allocation of the reserved shares (such scheme includes but is not limited to the identification of participants, unlocking conditions and timing) shall be determined by the Management Committee as authorized the Board either in one go or in tranches during the term. The ESOP’s Participants of the reserved shares may be those who have already held Shares under the Stock Ownership Plan, but if the persons to whom such Shares are allocated are Directors, supervisors or senior management of the Company, the allocation shall be submitted to the Board for consideration and determination. If the reserved shares are not fully allocated at the end of the term of the Stock Ownership Plan, the Management Committee shall decide on the disposal of the remaining Shares. Until the reserved shares are subscribed, the reserved shares do not carry voting rights for the Holder and are not included in the number of Shares available for exercise of voting

rights.

#### **4.3 Source of Funds, Source of Shares, Size and Price**

##### ***(A) Source of the Underlying Shares involved in the Stock Ownership Plan***

The sources of the Shares under the Stock Ownership Plan are the ordinary A Shares repurchased with the Company's designated repurchase account.

At the 10th meeting of the eleventh session of the Board held on 30 December 2022, the Resolution on the Repurchasing of A Shares of the Company through Centralized Bidding (the "**Repurchase Plan**") was considered and approved. As at the date of this announcement, the Repurchase Plan will soon commence and the underlying Shares shall be available upon completion of the Repurchase Plan.

##### ***(B) Size of the Underlying Shares involved in the Stock Ownership Plan***

The underlying Shares under the Stock Ownership Plan will not exceed 11,700,000 Shares, representing approximately 0.86% of the total share capital of the Company in the amount of 1,362,725,370 Shares as at the date of this announcement. The exact number of Shares to be held will be determined based on the actual capital contribution of the employees and the Company will comply with the information disclosure obligations in a timely manner as required.

After the implementation of the Stock Ownership Plan, the total number of all Shares held under all valid employee stock ownership plans shall not exceed 10% of the total share capital of the Company in aggregate, and the number of the underlying Shares corresponding to the units of Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company (excluding the Shares acquired by the Holder before the Company's initial public offering for listing, the Shares purchased by the Holder through the secondary market and the Shares acquired through equity incentives).

##### ***(C) Source of Funds of the Stock Ownership Plan***

The source of funds for participating in the Stock Ownership Plan shall be the legal remuneration of employees, their self-raised funds and other methods permitted by the laws and regulations, and the Company shall not provide financial assistance such as advances, guarantees and loans to the ESOP's Participants in any form. The Stock Ownership Plan does not involve leveraged funds and there is no arrangement for third parties to provide incentives, grants, subsidies, and make up the balance for employees to participate in the Stock Ownership Plan.

##### ***(D) Purchase Price and Pricing Basis of the Stock Ownership Plan***

The purchase price of the Shares held in the Company's designated securities repurchase account under the Stock Ownership Plan shall be RMB6.64 per Share, being 50% of the average price of the Shares traded on the last trading day preceding the date of this announcement.

The ESOP's Participants of the Stock Ownership Plan are Directors (excluding independent Directors), supervisors, senior management and other core employees of the Company, who

are responsible for corporate governance, assisting in the formulation of the Company's strategic planning or other important tasks. The Company is of the view that, on the basis of compliance with the laws and regulations, providing incentives to these employees by granting Shares to them at an appropriate price can truly enhance the enthusiasm and sense of responsibility of the target employees and effectively align the interests of the employees, the Company and the Shareholders, thereby facilitating the achievement of the motivation objectives.

#### **4.4 Duration and Lock-up Period**

##### ***(A) Term of the Stock Ownership Plan***

- (a) The term of the Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the transfer of the last tranche of underlying Shares for the first grant to the Stock Ownership Plan. If not extended, the Stock Ownership Plan will be terminated automatically upon the expiry of its term.
- (b) Upon expiry of the lock-up period of the Stock Ownership Plan and if all the underlying Shares held under the Stock Ownership Plan are sold or transferred to the Unit Holders and liquidated and distributed in accordance with the regulations, the Stock Ownership Plan may be terminated prior to the expiry upon consideration and approval by the Holders' Meeting.
- (c) If a Holders' Meeting is held at least one month prior to the expiry of the term of the Stock Ownership Plan and with the consent of more than two-thirds of the units held by the Holders present at the meeting and after submission to the Board for consideration and approval, the term of the Stock Ownership Plan may be extended.
- (d) Where the Shares held by the Stock Ownership Plan cannot be fully realized or transferred to the Unit Holders before the expiry of the term due to the suspension of trading of the Shares or short trading window period, the term of the Stock Ownership Plan may be extended with the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting and after submission to the Board.
- (e) The Company shall issue an indicative announcement six months prior to the expiry of the term of the Stock Ownership Plan, stating the number of Shares held by the Stock Ownership Plan which is about to expire and its proportion to the total share capital of the Company.
- (f) The Company shall disclose the number of Shares held under the expired Stock Ownership Plan and its proportion to the total share capital of the Company, as well as the disposal arrangements upon expiry, at the latest upon the expiry of the Stock Ownership Plan. In the case of an extension of the term, every difference from the pre-extension period should be explained in accordance with the disclosure requirements under Rule 6.6.7 of the Self-regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of the Companies Listed on the Main Board, and the corresponding review procedures and disclosure obligations should be fulfilled in accordance with the provisions of the Stock Ownership Plan.

##### ***(B) Lock-up Period of the Stock Ownership Plan and its Rationality and Compliance***

- (a) The underlying Shares acquired by the Stock Ownership Plan through non-trading transfer or other ways permitted by the laws and regulations shall be unlocked in three phases commencing from 12 months after the date of the announcement of the Company of the transfer of the last tranche of underlying Shares for the first grant to the Stock Ownership Plan. The lock-up period shall be up to 36 months. Details are as follows:

Time of unlocking for the first batch shall be: the expiry of 12 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 40% of the total number of the underlying Shares held by the Stock Ownership Plan.

Time of unlocking for the second batch shall be: the expiry of 24 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the underlying Shares held by the Stock Ownership Plan.

Time of unlocking for the third batch shall be: the expiry of 36 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the underlying Shares held by the Stock Ownership Plan.

The Shares derived from the underlying Shares obtained under the Stock Ownership Plan as a result of events such as the distribution of share dividends and capitalisation of capital reserve by the Company shall also be subject to the above lock-up arrangement.

(b) Trading restrictions of the Stock Ownership Plan

The Stock Ownership Plan will strictly comply with the market trading rules and observe the relevant requirements of the CSRC, Shenzhen Stock Exchange, the SFC, the Hong Kong Stock Exchange and the Hong Kong Listing Rules on stock trading. No Shares under the Stock Ownership Plan shall be traded during the following periods:

- (i) Within 60 days prior to the publication of the annual results announcement of the Company, or if shorter, the period from the end of the relevant financial year up to the publication date of the results, and the date of the publication of such announcements, and within 30 days prior to the publication of the half-year and quarterly results announcement, or if shorter, the period from the end of the relevant half-year or quarterly period up to the publication date of the results, and the date of the publication of such announcements. The period in which no Shares shall be traded shall cover any period of delay in the publication of the results announcement;
- (ii) within 30 days prior to the announcement of the annual report and half-year report of the Company. Where the date of announcement is postponed due to special reasons, the period shall commence on the 30<sup>th</sup> day prior to the original scheduled date of announcement;
- (iii) within 10 days prior to the issue of quarterly report, announcement of results forecast and preliminary results;

- (iv) from the date of occurrence of a major event that may have a significant impact on the trading price of the Shares and derivatives of the Company or the date of entering into the decision-making process, until the date of disclosure in accordance with the law;
  - (v) Such other period as stipulated by the CSRC, the Shenzhen Stock Exchange, the SFC, the Hong Kong Stock Exchange and the Hong Kong Listing Rules.
- (c) Explanation on the rationality and compliance of the lock-up period of the Stock Ownership Plan

The lock-up period of the Stock Ownership Plan is set based on the principle of balancing incentives and constraints. The purchase price of the Shares of the Stock Ownership Plan is discounted, so the Shares will be unlocked in three phases after 12 months of lock-up, and the ratios of the Shares to be unlocked will be 40%, 30% and 30%, respectively. The Company believes that on the basis of legal compliance, the setting of lock-up period can further constrain employees while fully motivating them, thus better aligning the interests of the Holders, the Company and its shareholders. This will help achieve the purpose of the Stock Ownership Plan and promote the long-term development of the Company.

***(C) Performance Appraisal of the Stock Ownership Plan***

- (a) Performance appraisal at company level

The appraisal years under the Stock Ownership Plan are the three accounting years from 2023 to 2025, and the appraisal will be conducted once every accounting year, with the achievement of the performance appraisal target as one of the unlocking conditions. The performance appraisal targets of each year are as set out in the table below:

Unlocking period	Appraisal indicator for the appraisal year	Growth rate of net profit (A)	
		Target value (Am)	Trigger value (An)
First unlocking period	Growth rate of net profit for 2023 compared to that of 2021	62%	50%
Second unlocking period	Growth rate of net profit for 2024 compared to that of 2021	86%	69%
Third Unlocking Period	Growth rate of net profit for 2025 compared to that of 2021	109%	87%

Appraisal indicator	Performance completion level	Unlocking ratio at the Company level (X)
<b>Growth rate of net profit (A)</b>	$A \geq A_m$	$X=100\%$
	$A_n \leq A < A_m$	$X=80\%$
	$A < A_n$	$X=0\%$

*Notes:*

1. The above "net profit" indicators are calculated based on the audited net profit attributable to Shareholders and excluding the impact of the share-based fee payment arising from the implementation of the Stock Ownership Plan for the period and other share incentive schemes and employee stock ownership plans (if any).
2. The above performance appraisal targets are not undertakings about its performance made by the Company to investors.

During each of the above unlocking periods, the percentage of unlocking at the company level will be determined in accordance with the level of achievement of the Company's performance. Units that do not meet the unlocking conditions will be taken back by the Management Committee, which will then be sold at an appropriate time. The original capital contribution of the corresponding units will be returned to the Holders. If there is still a gain after the fund is returned to the Holders, the gain shall be returned to the Company.

(b) Performance appraisal at individual level

The individual appraisal of the Holders is conducted annually. The appraisal results are determined based on the individual performance appraisal and the unlocking ratio will be determined by the appraisal results. The actual number of underlying Shares unlocked by the Holders in the year = the number of underlying Shares planned to be unlocked by the Holder in the year x unlocking ratio at company level x unlocking ratio at individual level. If the actual number of underlying Shares unlocked by the Holder in the year is less than the target number of Shares to be unlocked, the Management Committee will take back the units that have not met the unlocking conditions and decide on the disposal arrangements (including but not limited to allocating the recovered shares to other eligible ESOP's Participants at an appropriate time). If such units are not allocated during the term of the Stock Ownership Plan, the unallocated portion will be sold at an appropriate time by the Company during the term of the Stock Ownership Plan after the unlocking date. After the sale, the original capital contribution for the corresponding units will be returned to the Holders. If there is any gain after the contribution is returned to the Holders, the gain shall be returned to the Company.

The results of the performance appraisal of the Holders are classified into five grades, namely S, A, B, C and D. Details are shown in the table below:

Appraisal grade	S	A	B	C	D
<b>Unlocking ratio at the individual level</b>	100%			70%	0%

## **4.5 Management Model**

Subject to the approval of the general meeting, the Stock Ownership Plan shall be established with self-owned funds and shall be managed by the Company itself. The highest internal management authority of the Stock Ownership Plan is the Holders' Meeting. The Holders' Meeting shall establish the Management Committee and authorize the Management Committee as the management body of the Stock Ownership Plan to supervise the daily management of the Stock Ownership Plan and exercise the Shareholders' rights on behalf of the Holders. The Administrative Measures for the Stock Ownership Plan clearly stipulate the responsibilities of the Management Committee and adopt adequate risk prevention and segregation measures. The Board is responsible for drafting and amending the draft of the Stock Ownership Plan and handling other relevant matters of the Stock Ownership Plan within the scope as authorized by the general meeting.

## **4.6 Alteration, Termination and Disposal of Holders' Interests**

### ***(A) Alteration of the Stock Ownership Plan***

During the term of the Stock Ownership Plan, any amendment to the Stock Ownership Plan shall be subject to the approval of at least two-thirds (including two-thirds) of the units held by the Holders attending the Holders' Meeting and the consideration and approval of the Board.

### ***(B) Termination of the Stock Ownership Plan***

- (a) The Stock Ownership Plan will be terminated automatically upon its expiry.
- (b) When all Shares held in the Company under the Stock Ownership Plan are sold or transferred to the Unit Holders, the Stock Ownership Plan may be terminated before its expiry.
- (c) The term of the Stock Ownership Plan may be extended by the Holders present at the Holders' Meeting holding at least two-thirds (including two-thirds) of the units and upon consideration and approval of the Board one month prior to the expiry of the Stock Ownership Plan, and the Stock Ownership Plan shall be terminated upon expiry of the extended period.

### ***(C) Liquidation and Distribution of the Stock Ownership Plan***

- (a) The Management Committee shall complete the liquidation of the Stock Ownership Plan within 30 working days after the date of its expiry and arrange for distribution in proportion to the units held by the Holders after deducting the relevant taxes and fees in accordance with the law.
- (b) During the term of the Stock Ownership Plan, the Management Committee may distribute cash from the capital account of the Stock Ownership Plan to the Holders in accordance with the authorization of the Holders' Meeting.

### ***(D) Rights Attached to the Shares Held by the Stock Ownership Plan and the Arrangements on the Possession, Use, Benefit and Disposal of the Rights of the Holders over the Shares***

- (a) Holders of the Stock Ownership Plan are entitled to the asset income rights of the Shares held by the Stock Ownership Plan according to their actual capital contribution. The

corresponding Shares obtained by the Holders through the Stock Ownership Plan shall be entitled to Shareholders' rights (including dividend rights, rights issue, conversion of Shares and other asset income rights).

- (b) During the term of the Stock Ownership Plan, except as otherwise provided by laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the Stock Ownership Plan held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal.
- (c) During the lock-up period, the Holders shall not request for distribution of interests under the Stock Ownership Plan.
- (d) During the lock-up period, in the event of any capitalization of capital reserve and distribution of bonus issue, the Shares newly acquired by the Stock Ownership Plan due to holding the Shares shall be locked up together and shall not be sold in the secondary market or otherwise transferred, and the unlocking period of such Shares shall be the same as the corresponding Shares.
- (e) Upon the expiry of the lock-up period of the Stock Ownership Plan and during the term of the Stock Ownership Plan, the Management Committee, in accordance with the authorization of the Holders' Meeting, shall sell the corresponding underlying Shares or transfer the corresponding underlying Shares to the Unit Holders at an appropriate time during the term of the Stock Ownership Plan after the unlocking date.
- (f) Upon the expiry of the lock-up period of the Stock Ownership Plan and during the term of the Stock Ownership Plan, the Management Committee, in accordance with the authorization of the Holders' Meeting, shall decide whether to distribute the income corresponding to the Stock Ownership Plan. Where the distribution is decided, the Holders' Meeting shall authorize the Management Committee to distribute the income according to the units of the Holders after deducting relevant taxes and fees in accordance with the law.
- (g) During the term of the Stock Ownership Plan, distribution may be made in each accounting year when the underlying Shares held by the Stock Ownership Plan are sold for cash or other distributable income, and the Management Committee shall distribute the Shares held by the Holders in proportion to the total number of Shares under the Stock Ownership Plan after deducting relevant taxes and fees and payables of the Stock Ownership Plan in accordance with the law.
- (h) During the lock-up period, in the event of dividend payment by the Company, the cash dividends received by the Stock Ownership Plan for the Shares held shall be credited to the monetary assets of the Stock Ownership Plan and shall not be distributed separately for the time being. Upon the expiry of the lock-up period of the Stock Ownership Plan and during the term, the Management Committee shall, in accordance with the authorization of the Holder's Meeting, decide whether to distribute the income. Upon the expiry of the lock-up period of the Stock Ownership Plan and during the term, in the event of a dividend payment by the Company, the cash dividends received by the Stock Ownership Plan for the Shares of the Company shall be credited to the monetary assets of the Stock Ownership Plan.

- (i) Upon occurrence of other unspecified events, the disposal method of the units of the Stock Ownership Plan held by the Holders shall be determined by the Holders' Meeting.
- (j) During the term of the Stock Ownership Plan, when the Company obtains financing by means of placing of shares, issue of shares and convertible bonds, the Management Committee will submit to the Holders' Meeting and the Board for consideration of whether to participate and the specific plan of participation.

## **5. Proposed Adoption of the Administrative Measures for the 2022 A Share Employee Stock Ownership Plan**

In order to regulate the implementation of the Stock Ownership Plan, the Company has formulated the Administrative Measures for the Stock Ownership Plan in accordance with the requirements of the Company Law, the Securities Law, the Guiding Opinions, the Self-regulatory Guidelines No. 1 of the Companies Listed on the Shenzhen Stock Exchange – the Standardized Operation of Listed Companies on the Main Board, the Hong Kong Listing Rules, other relevant laws, regulations and regulatory documents, the Articles of Association and the 2022 A Share Employee Stock Ownership Plan (Draft) of the Company. The full text of the Administrative Measures for the Stock Ownership Plan will be set out in the circular to be despatched to the Shareholders in due course.

## **6. Proposed Authorization to the Board to Deal with Matters relating to the 2022 A Share Employee Stock Ownership Plan**

To ensure the smooth implementation of the Stock Ownership Plan, the Board proposes to the EGM to authorize the Board to handle all matters relating to the Stock Ownership Plan, including but not limited to the following:

- (a) to authorize the Board to handle the establishment, modifications and termination of the Stock Ownership Plan;
- (b) to authorize the Board to make decision on the extension and early termination of the Stock Ownership Plan;
- (c) to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Stock Ownership Plan;
- (d) to authorize the Board to interpret the 2022 A Share Employee Stock Ownership Plan (Draft) of the Company;
- (e) to authorize the Board to implement the Stock Ownership Plan, including but not limited to nominate the candidates for the Management Committee;
- (f) to authorize the Board to make decisions on the participation of the Stock Ownership Plan in refinancing matters such as the placing of Shares of the Company during the term of the Stock Ownership Plan;
- (g) to authorize the Board to change the ESOP's Participants and determination criteria of the Stock Ownership Plan;
- (h) to authorize the Board to sign contracts and relevant agreement and documents for the Stock Ownership Plan;

- (i) to authorize the Board, in the event of changes in the relevant laws, regulations and policies, to make corresponding amendments and enhancements to the Stock Ownership Plan according to the changes in the relevant laws, regulations and policies; and
- (j) to authorize the Board to handle other necessary matters required for the Stock Ownership Plan, except for those rights expressly stipulated in the relevant documents to be exercised by the general meeting.

The above authorizations shall be valid from the date of approval at the general meeting of the Company to the date of completion of the implementation of the Stock Ownership Plan.

## **7. Repurchase of A Shares by Centralised Bidding**

### **7.1 Procedures for Consideration and Implementation of the Repurchase Plan**

On 30 December 2022, the Company convened the 10th meeting of the eleventh session of the Board, in which all Directors attended and the resolution relating to the plan of the repurchase of A Shares of the Company through centralized bidding trading was considered and approved unanimously. According to the relevant laws and regulations and the Articles of Association, the share repurchase plan is not required to be submitted to the general meeting of the Company for consideration.

### **7.2 Main contents of the Repurchase Plan**

#### ***(A) Purpose and Use of Share Repurchase***

Based on the confidence in the future development prospects of the Company and in order to protect the interests of the Shareholders, enhance investors' confidence and improve the Company's long-term incentive mechanism, the Company intends to repurchase the A Shares by way of centralised bidding, taking into account the financial conditions, business conditions, the profitability in the future and the development prospects of the Company.

The repurchased A Shares are proposed to be used for the Stock Ownership Plan. In the event that the Stock Ownership Plan cannot be implemented, the repurchased A Shares shall be cancelled within the stipulated timeframe in accordance with the applicable laws and regulations and the registered capital of the Company will be reduced accordingly.

#### ***(B) Type of Shares to be Repurchased***

The type of Shares to be repurchased is the A Shares issued by the Company.

#### ***(C) Method of Share Repurchase***

The Company proposed to repurchase its A Shares through centralized bidding trading on the trading system of the Shenzhen Stock Exchange.

#### ***(D) Period of Share Repurchase***

The term of the share repurchase shall be within 12 months from the date of approval by the Board.

The repurchase period shall expire in advance (that is, the repurchase plan has been completed) if the following conditions are met:

- (i) Where the total funds used for share repurchase reach the upper limit during the repurchase period, the implementation of the repurchase plan shall be completed and the repurchased period shall expire in advance on such date;
- (ii) Where the Board decides to terminate the repurchase plan in advance, the repurchase period shall expire in advance on the date when the Board resolves to terminate the repurchase plan.

The Company shall not repurchase the A Shares during the following periods:

- (i) Within 10 trading days prior to the announcement of the annual report or half-year report of the Company. Where the date of announcement is postponed due to special reasons, the period shall commence on the 10<sup>th</sup> trading day prior to the original scheduled date of announcement;
- (ii) Within 10 trading days prior to the announcement of the quarterly report, results forecast and preliminary results of the Company;
- (iii) From the date of occurrence of a major event that may have a significant impact on the trading price of the Shares or the date of entering into the decision-making process, until the date of disclosure in accordance with the law;
- (iv) Such other period as stipulated by the CSRC and the Stock Exchanges.

***(E) Use, Quantity, Proportion to the Total Share Capital of the Company and Total Funds***

The A Shares after the repurchase will be used for the Stock Ownership Plan. The repurchase price shall not be more than RMB17.00 per A Share (inclusive). When calculating based on the upper limit of the total funds used for share repurchase in the amount of RMB198,900,000, the expected number of A Shares to be repurchased by the Company is not less than 11,700,000 A Shares, representing approximately 0.86% of the total share capital of the Company. When calculating based on the lower limit of the funds used for share repurchase in the amount of RMB99,450,000, the expected number of A Shares to be repurchased by the Company is not less than 5,850,000 A Shares, representing approximately 0.43% of the total share capital of the Company. The specific number of A Shares to be repurchased shall be based on the actual number of A Shares repurchased upon the expiry of the repurchase period.

***(F) Price of Shares Repurchased***

The repurchase price shall not be more than RMB17.00 per A Share (inclusive). If there are any events such as the conversion of capital reserve to share capital of the Company, cash dividend, bonus issue, share split, share consolidation, rights issue and issue of stock certificate, the upper limit of the repurchase price shall be adjusted accordingly since the ex-date.

***(G) Source of Funds for the Share Repurchase***

The source of funds for the share repurchase shall be the Company's own funds.

***(H) Expected Changes in the Shareholding Structure of the Company after the Repurchase***

It is expected that the shareholding structure of the Company after the repurchase will be changed as follows:

- (i) Based on the upper limit of the total funds used for share repurchase in the amount of RMB198,900,000 for the repurchase of 11,700,000 A Shares at the repurchase price of RMB17.00 per A Share:

	Before share repurchase		After share repurchase	
Nature of Shares	Number (shares)	Proportion (%)	Number (shares)	Proportion (%)
A Shares subject to trading restrictions	303,270	0.02	12,003,270	0.88
A Shares not subject to trading restrictions	902,832,292	66.25	891,132,292	65.39
H Shares	459,589,808	33.73	459,589,808	33.73
<b>Total</b>	<b>1,362,725,370</b>	<b>100</b>	<b>1,362,725,370</b>	<b>100</b>

- (ii) Based on the lower limit of the total funds used for share repurchase in the amount of RMB99,450,000 for the repurchase of 5,850,000 A Shares at the repurchase price of RMB17.00 per A Share:

	Before share repurchase		After share repurchase	
Nature of Shares	Number (shares)	Proportion (%)	Number (shares)	Proportion (%)
A Shares subject to trading restrictions	303,270	0.02	6,153,270	0.45
A Shares not subject to trading restrictions	902,832,292	66.25	896,982,292	65.82
H Shares	459,589,808	33.73	459,589,808	33.73

<b>Total</b>	<b>1,362,725,370</b>	<b>100</b>	<b>1,362,725,370</b>	<b>100</b>

***(I) Analysis of the Impact of the Share Repurchase on the Company's Operation, Finance and Development Prospects***

As at 30 September 2022, the total assets of the Company amounted to approximately RMB55,765,000,000, the monetary capital amounted to approximately RMB6,639,000,000, the net assets attributable to the Shareholders amounted to approximately RMB11,164,000,000 and the gearing ratio was 70.85% (the above data is unaudited). Assuming the total funds used for share repurchase reach the upper limit (that is, RMB198,900,000), the proportion of the repurchase funds to the total assets and the net assets attributable to the Shareholders as at 30 September 2022 (unaudited) was 0.36% and 1.78%, respectively.

Taking into account the operation, finance and the development prospects of the Company, the Company considers that the upper limit of the repurchase funds in the amount of RMB198,900,000 will not have a significant impact on the operation, finance and development prospects of the Company.

***(J) Relevant Arrangements for Cancellation or Transfer in accordance with Laws after Share Repurchase***

The A Shares repurchased shall be used for the Stock Ownership Plan. When the implementation of the share repurchase is completed, the Company may duly propose further plans considering the actual conditions. Depending on the changes to the securities market, the Board will determine the actual implementation progress of the share repurchase plan. If the A Shares repurchased cannot be used for the above purpose within the required timeframe according to relevant laws and regulations, the repurchased A Shares that are yet to transfer will be cancelled in accordance with relevant laws and regulations and the registered capital of the Company will be reduced accordingly. If the Company needs to cancel the repurchased A Shares, the Company will undergo the relevant decision-making processes in accordance with relevant laws and regulations Company Law, notify creditors and comply with disclosure obligations to protect the interests of the creditors.

**8. Reasons for and Benefits of the Adoption of the Incentive Scheme and the Stock Ownership Plan**

Please refer to the sections headed “I. 1. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – 1.1 Purposes of the Incentive Scheme” and “I. 4. Proposed Adoption of the 2022 A Share Employee Share Ownership Plan – 4.1 Purposes of the Stock Ownership Plan” in this announcement.

**Directors' Confirmation**

The Directors consider that the adoption of the Incentive Scheme and the Stock Ownership Plan can achieve the above purposes and the terms and conditions of the Incentive Scheme and the Stock Ownership Plan are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Xia Zhang Zhua and Ms. Gao Yu Ling, being the ESOP's Participants, have a material interest in the Stock Ownership Plan, they have abstained from voting on the relevant Board resolutions in relation to the Stock Ownership Plan. Save for the above, none of the Directors have abstained from voting on the

relevant Board resolutions as a result of their participation in the Incentive Scheme and the Stock Ownership Plan and none of the Directors have a material interest in the Incentive Scheme and the Stock Ownership Plan.

## **9. Hong Kong Listing Rules Implications**

### **9.1 Incentive Scheme**

As the Incentive Scheme involves the issue of new A Shares by the Company, it is subject to Rules 17.02 to 17.11 of Chapter 17 of the Hong Kong Listing Rules. None of the Participants is a connected person of the Company and thus the Incentive Scheme does not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules. The Company will also ensure compliance with the public float requirement under the Hong Kong Listing Rules.

At the meeting of the Board held on 30 December 2022, the resolutions in relation to the proposed Incentive Scheme, the Administrative Measures for the Appraisal System of the Incentive Scheme, and the authorization to the Board to deal with matters relating to the Incentive Scheme were considered and approved. Relevant proposals will be further submitted to the EGM and the Class Meetings to be convened in due course for consideration and approval by the Shareholders.

### **9.2 Stock Ownership Plan**

As the Stock Ownership Plan involves existing Shares, it is subject to Rule 17.12 of Chapter 17 of the Hong Kong Listing Rules.

As the Holders involve the Directors and supervisor of the Company, their participation in the Stock Ownership Plan constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules, and the relevant applicable percentage ratios (as defined in the Hong Kong Listing Rules) on an individual basis are less than 0.1%, thus they are fully exempt from the shareholders' approval, annual review and all disclosure requirements. Save for the above fully exempt connected transaction, participation in the Stock Ownership Plan by other Holders does not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

The Company will also ensure compliance with the public float requirement under the Hong Kong Listing Rules.

At the meeting of the Board held on 30 December 2022, the resolutions in relation to the proposed Stock Ownership Plan, the Administrative Measures for the Stock Ownership Plan and the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan were considered and approved. Relevant proposals will be further submitted to the EGM to be convened in due course for consideration and approval by the Shareholders.

## **II. GENERAL MEETING AND CIRCULAR**

Special resolutions will be proposed at the EGM and H Share Class Meeting for considering and, if thought fit, approving, among other things, (i) the proposed adoption of the Incentive Scheme, including the proposed issue of Restricted A Shares under the Specific Mandate; (ii) the proposed adoption of the Administrative Measures for the Appraisal System of the Incentive Scheme; and (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme.

Ordinary resolutions will be proposed at the EGM for considering and, if thought fit, approving, among other things, (i) the proposed adoption of the Stock Ownership Plan; (ii) the proposed adoption of the Administrative Measures for the Stock Ownership Plan; and (iii) the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan.

A circular containing, among other things, details of the above resolutions will be despatched to the Shareholders as soon as practicable.

### III. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“A Share Class Meeting”	the first A Share class meeting of the Company of 2023 to be held for considering and, if thought fit, approving, among other things, (i) the proposed adoption of the Incentive Scheme, including the proposed issue of Restricted A Shares under the Specific Mandate; (ii) the proposed adoption of the Administrative Measures for the Appraisal System of the Incentive Scheme; and (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme
“A Share(s)”	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies
“Administrative Measures for the Appraisal System of the Incentive Scheme”	the Administrative Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme
“Administrative Measures for the Stock Ownership Plan”	the Administrative Measures for the 2022 A Share Employee Stock Ownership Plan of the Company
“Articles of Association”	the Articles of Association of the Company currently in force
“Board”	the board of Directors
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Company”	Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange and the Shenzhen Stock Exchange
“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”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the 2023 second extraordinary general meeting of the Company to be held for considering and, if thought fit, approving, among other things, (i) the proposed adoption of the Incentive Scheme, including the proposed issue of Restricted A Shares under the Specific Mandate; (ii) the proposed adoption of the Administrative Measures for the Appraisal System of the Incentive Scheme; (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme; (iv) the proposed adoption of the Stock Ownership Plan; (v) the proposed adoption of the Administrative Measures for the Stock Ownership Plan; and (vi) the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan
“Grant Price”	the price at which each Restricted Share to be granted to the Participants under the Incentive Scheme
“Group”	the Company and its subsidiaries
“Guiding Opinions”	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“H Share Class Meeting”	the first H Share class meeting of the Company of 2023 to be held for considering and, if thought fit, approving, among other things, (i) the proposed adoption of the Incentive Scheme, including the proposed issue of Restricted A Shares under the Specific Mandate; (ii) the proposed adoption of the Administrative Measures for the Appraisal System of the Incentive Scheme; and (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme
“H Share(s)”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Hong Kong Stock Exchange
“Holders”, “Unit Holders” or “ESOP’s Participants”	participants of the Stock Ownership Plan
“Holders’ Meeting”	the meeting of the Holders of the Stock Ownership Plan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Scheme”	the 2022 Restricted A Share Incentive Scheme of the Company

“Management Committee”	the management committee of the Stock Ownership Plan
“Participants”	participants of the Incentive Scheme
“PRC”	the People’s Republic of China
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Company
“Restricted Shares” or “Restricted A Shares”	A shares intended to be granted by the Company to the Participants at the Grant Price of the Incentive Scheme, subject to the conditions of the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China, as amended from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Directors at the EGM and Class Meetings for the allotment and issue of the Restricted Shares to be granted under the Incentive Scheme
“Stock Ownership Plan”	the 2022 A Share Employee Stock Ownership Plan of the Company
“Stock Exchanges”	the Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange
“Supervisory Committee”	the supervisory committee of the Company
“Validity Period”	the validity period of the Incentive Scheme, which shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all Restricted Shares granted to the Participants are unlocked or repurchased, and shall not exceed 48 months
“%”	per cent

By order of the Board  
**Hisense Home Appliances Group Co., Ltd.**  
**Dai Hui Zhong**  
*Chairman*

Foshan City, Guangdong, the PRC, 2 January 2023

*As at the date of this announcement, the Company's executive directors are Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng, Mr. Xia Zhang Zhua and Ms. Gao Yu Ling; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.*