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Hisense 海信家電

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;**
- (7) Proposed Amendments to the Articles of Association;**
- (8) Proposed Amendments to the Rules of Procedures for the Shareholders' General Meeting; and**
- (9) Proposed Amendments to the Rules of Procedures for the Meeting of the Board**

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 88 of this circular.

A notice of the EGM to be held on Tuesday, 28 February 2023 at 3:00 p.m. and a notice of the H Share Class Meeting to be held on Tuesday, 28 February 2023 after the conclusion of the EGM and the A Share Class Meeting, at the conference room of Hisense Building, No.17 Donghai West Road, Qingdao City, Shandong Province, the PRC, proxy forms for use at the EGM and the H Share Class Meeting, and reply slips for the EGM and the H Share Class Meeting, have been despatched by the Company on Friday, 13 January 2023 and are also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the proxy forms for use at the EGM and/or the H Share Class Meeting in accordance with the instructions printed on them and return them to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM and the H Share Class Meeting (that is, no later than 3:00 p.m. on Monday, 27 February 2023) or any adjournment of such meetings (as the case may be). Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM and/or the H Share Class Meeting or any adjournment of such meetings (as the case may be) should you so wish and, in such event, the proxy form(s) previously submitted shall be deemed to be revoked.

13 February 2023

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DEFINITIONS

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

“A Share Class Meeting”	the first A Share class meeting of the Company of 2023 to be held on Tuesday, 28 February 2023 after the conclusion of the EGM
“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
“Announcement Date”	2 January 2023, being the date of the announcement of the Company in relation to, 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
“Articles of Association” or “Articles”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting

DEFINITIONS

“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 Hong Kong 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 at the conference room of Hisense Building, No.17 Donghai West Road, Qingdao City, Shandong Province, the PRC on Tuesday, 28 February 2023 at 3:00 p.m.
“Grant Price”	the price at which each restricted share to be granted to the Participants
“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 on Tuesday, 28 February 2023 after the conclusion of the EGM and the A Share Class Meeting
“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
“Hisense Air-conditioning”	Qingdao Hisense Air-conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings, and holds approximately 37.92% of the Shares as at the Latest Practicable Date

DEFINITIONS

“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Holdings, and holds approximately 9.13% of the Shares as at the Latest Practicable Date
“Hisense Holdings”	Hisense Group Holdings Co., Ltd. (海信集團控股股份有限公司), a company incorporated in the PRC with limited liability, which holds approximately 93.33% of Hisense Air-conditioning and wholly owns Hisense HK as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Latest Practicable Date”	7 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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

DEFINITIONS

“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 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

English translations of names in Chinese or another language in this circular which are marked with “” are for identification purposes only.*

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD

Hisense 海信家電

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)

Executive Directors:

Mr. Dai Hui Zhong
Mr. Lin Lan
Mr. Jia Shao Qian
Mr. Fei Li Cheng
Mr. Xia Zhang Zhua
Ms. Gao Yu Ling

Registered office:

No. 8
Ronggang Road
Ronggui Street
Shunde District
Foshan City
Guangdong Province
PRC

Independent non-executive Directors:

Mr. Zhong Geng Shen
Mr. Cheung Sai Kit
Mr. Li Zhi Gang

Principal place of business in Hong Kong:

Room 3101-05
Singa Commercial Centre
No. 148 Connaught Road West
Hong Kong

13 February 2023

To the Shareholders

Dear Sir or Madam,

- (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;**
- (7) Proposed Amendments to the Articles of Association;**
- (8) Proposed Amendments to the Rules of Procedures for the Shareholders' General Meeting; and**
- (9) Proposed Amendments to the Rules of Procedures for the Meeting of the Board**

LETTER FROM THE BOARD

I. BACKGROUND

Reference is made to the announcement of the Company dated 2 January 2023 in respect of, among other things, (i) the proposed adoption of the Incentive Scheme, including the proposed issue of Restricted A Shares under 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. Reference is also made to the overseas regulatory announcements of the Company dated 2 January 2023 in relation to (i) the Incentive Scheme (Draft) and its summary; and (ii) the Stock Ownership Plan (Draft) and its summary.

Reference is also made to the announcement of the Company dated 13 January 2023 in relation to the proposed amendments to the Articles of Association. In view of the proposed amendments to the Articles of Association, the rules of procedures for the Shareholders' general meeting and the rules of procedures for the meeting of the Board are proposed to be amended as well.

The purpose of this circular is to provide you with further information in respect of the resolutions relating to the above matters to be proposed at the EGM and/or the H Share Class Meeting to be held on Tuesday, 28 February 2023, and to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM and/or the H Share Class Meeting. For the details of the proposed resolutions at the EGM and/or the H Share Class Meeting, please also refer to the notices of the EGM and the H Share Class Meeting despatched by the Company and published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>) on Friday, 13 January 2023.

II. THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME

Reference is made to the announcement of the Company dated 2 January 2023 in relation to, among other things, (i) the proposed adoption of the Incentive Scheme, including the proposed issue of Restricted A Shares under 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. Reference is also made to the overseas regulatory announcements of the Company dated 2 January 2023 in relation to the Incentive Scheme (Draft) and its summary. Special resolutions will be proposed at the EGM and the Class Meetings to consider and approve the above matters.

LETTER FROM THE BOARD

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 Announcement Date.

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.

LETTER FROM THE BOARD

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:

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

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.

LETTER FROM THE BOARD

(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:

- (a) the average trading price of the Shares for the last trading day preceding the Announcement Date (total trading amount for the last trading day/total trading volume for the last trading day) of RMB13.28 per Share;
- (b) the average trading price of the Shares for the last 60 trading days preceding the Announcement Date (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

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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, the Shenzhen Stock Exchange, the SFC, the Hong Kong Stock Exchange and the Hong Kong Listing Rules.

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(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 issue, 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%

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

- (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

LETTER FROM THE BOARD

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:

- 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.
- The above performance appraisal targets are not performance undertakings made by the Company to investors.

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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.

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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 issue, bonus issue, sub-division of shares, rights issue or consolidation of shares of the Company in the period from the Announcement Date 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. Amendments to any terms of the Incentive Scheme before it is considered at the EGM and the Class Meetings 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.

No amendments relating to the circumstances leading to an early unlocking and a reduction of the Grant Price shall be made at all.

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.

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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 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.

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(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 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:

Number of Restricted Shares ('000 shares)	Total expenses subject to amortisation (RMB'000)	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)	2026 (RMB'000)
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.

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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.

Details of the Incentive Scheme are set out in Appendix I to this circular. The Incentive Scheme (Draft) was prepared in Chinese. In case of any discrepancy between the English translation of the Incentive Scheme and the Chinese version, the Chinese version shall prevail.

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 Latest Practicable Date, 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. Such Restricted Shares to be allotted and issued under the Specific Mandate are subject to the scheme mandate limit of 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 under Rule 17.03B of Chapter 17 of the Hong Kong Listing Rules.

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.

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(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 “II. 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:

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

(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 Latest Practicable Date.

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

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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 is set out in Appendix II to this circular. The Administrative Measures for the Appraisal System of the Incentive Scheme have been prepared in Chinese, and in case of any discrepancy between the English translation of the Administrative Measures for the Appraisal System of the Incentive Scheme and the Chinese version, the Chinese version shall prevail.

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 issue, 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 issue, 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;

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- (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.

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III. THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

Reference is made to the announcement dated 2 January 2023 in relation to, among others, (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. Reference is also made to the overseas regulatory announcements of the Company dated 2 January 2023 in relation to the Stock Ownership Plan (Draft) and its summary. Ordinary resolutions will be proposed at the EGM to consider and approve the above matters.

1. Proposed Adoption of the 2022 A Share Employee Stock Ownership Plan

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

1.1 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.

1.2 The 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 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

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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-charge of finance	3,652.00	4.70%	550.00
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

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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.

1.3 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 Announcement Date, the Repurchase Plan would soon commence and the underlying Shares shall be available upon completion of the Repurchase Plan.

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(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 Announcement Date. 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 Announcement Date.

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

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and effectively align the interests of the employees, the Company and the Shareholders, thereby facilitating the achievement of the motivation objectives.

1.4 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 for consideration and approval.
- (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.

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- (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.

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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 issue 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, the 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 30th 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.

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- (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)
Growth rate of net profit (A)	$A \geq A_m$	$X=100\%$
	$A_n \leq A < A_m$	$X=80\%$
	$A < A_n$	$X=0\%$

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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.

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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
Unlocking ratio at the individual level		100%		70%	0%

1.5 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.

1.6 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 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 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.

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(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.

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- (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.

Details of the Stock Ownership Plan are set out in Appendix III to this circular. The Stock Ownership Plan (Draft) was prepared in Chinese. If there is any discrepancy between the English translation of the Stock Ownership Plan and the Chinese version, the Chinese version shall prevail.

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2. 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 is set out in Appendix IV to this circular. The Administrative Measures for the Stock Ownership Plan was prepared in Chinese. If there is any discrepancy between the English translation of the Administrative Measures for the Stock Ownership Plan and the Chinese version, the Chinese version shall prevail.

3. 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 the 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;

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- (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.

IV. REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME AND THE STOCK OWNERSHIP PLAN

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

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.

V. HONG KONG LISTING RULES IMPLICATIONS

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. Special resolutions will be proposed at the EGM and the Class Meetings for considering and, if thought fit, approving the adoption of the Incentive Scheme under Rule 17.02 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

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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.

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. If any of the reserved shares under the Stock Ownership Plan are allocated to any connected persons of the Company and such an allocation constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules, the Company will comply with the relevant requirements 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.

Mr. Dai Hui Zhong and Mr. Jia Shao Qian are ESOP's Participants and directors of Hisense Holdings and/or its subsidiaries, while Ms. Gao Yu Ling is an ESOP's Participant and a supervisor of Hisense Air-conditioning. Therefore, Hisense Holdings, Hisense Air-conditioning and their respective associates will abstain from voting in relation to the resolutions about the Stock Ownership Plan at the EGM. As such, Hisense Air-conditioning, which held 516,758,670 Shares (representing approximately 37.92% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 9.13% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting in relation to the resolutions about the Stock Ownership Plan at the EGM. Each of Hisense Air-conditioning and Hisense HK controls or is entitled to exercise control over the voting right in respect of their Shares.

VI. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement dated 13 January 2023 in relation to, among others, the proposed amendments to the Articles of Association. A special resolution will be proposed at the EGM and the Class Meetings to consider and approve the proposed amendments to the Articles of Association.

According to the Company Law, Guidelines on the Articles of Association of Listed Companies, Appendix 3 to the Hong Kong Listing Rules and other relevant laws and regulations, and taking into account the actual situation of the Company, the Board proposes

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to amend the provisions of the existing Articles of Association (the “**Proposed Amendments to the Articles of Association**”). Details of the Proposed Amendments to the Articles of Association are as follows:

Existing Articles	Revised Articles
<p>Article 1.4</p> <p>.....On 26 June 1996, the State Council Securities Policy Committee approved the Company’s application for issuing <u>H shares</u> and the State Economic System Reform Committee also approved the conversion of the Company into an overseas subscription company on the same day. On 28 May 1999, China Securities Regulatory Commission approved the Company’s application for issuing <u>A shares</u>.</p>	<p>Article 1.4</p> <p>.....On 26 June 1996, the State Council Securities Policy Committee approved the Company’s application for issuing <u>H Shares</u> and the State Economic System Reform Committee also approved the conversion of the Company into an overseas subscription company on the same day. On 28 May 1999, China Securities Regulatory Commission approved the Company’s application for issuing <u>A Shares</u>.</p>
<p>Article 1.6</p> <p>Unless otherwise provided by these Articles of Association, the Company’s shareholders, including the shareholders of <u>domestic shares</u> and <u>foreign shares</u> referred to in Article 3.4, shall enjoy the same rights and assume the same obligations.</p>	<p>Article 1.6</p> <p>Unless otherwise provided by these Articles of Association, the Company’s shareholders, including the shareholders of <u>A Shares</u> and <u>H Shares</u> referred to in Article 3.4, shall enjoy the same rights and assume the same obligations.</p>
<p>Article 3.1</p> <p>There must, at all times, be ordinary shares in the Company. The ordinary shares issued by the Company shall include <u>domestic shares</u> and <u>foreign shares</u>. Subject to the approval of the examination and approval authorities for companies authorized by the State Council, the Company may, according to its requirements, create different classes of shares.</p>	<p>Article 3.1</p> <p>There must, at all times, be ordinary shares in the Company. The ordinary shares issued by the Company shall include <u>A Shares</u> and <u>H Shares</u>. Subject to the approval of the examination and approval authorities for companies authorized by the State Council, the Company may, according to its requirements, create different classes of shares.</p>

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Existing Articles	Revised Articles
<p>Article 3.4</p> <p>..... Foreign shares which are listed overseas are called “overseas-listed foreign shares” (including but not limited to <u>H shares</u>). <u>H shares</u> refer to overseas– listed foreign shares which are listed on the Hong Kong Stock Exchange and which are subscribed for and transacted in Hong Kong Dollars</p>	<p>Article 3.4</p> <p>.....Foreign shares which are listed overseas are called “overseas-listed foreign shares” (including but not limited to <u>H Shares</u>). <u>H Shares</u> refer to overseas-listed foreign shares which are listed on the Hong Kong Stock Exchange and which are subscribed for and transacted in Hong Kong Dollars</p>
<p>Article 3.5</p> <p>The Company has issued a total number of 1,362,725,370 ordinary shares, of which <u>overseas-listed foreign shares</u> amount to 459,589,808 shares, representing 33.73% of the total share capital, and <u>domestic listed shares</u> amount to 903,135,562 shares, representing 66.27% of the total share capital. The registered share capital of the Company is RMB1,362,725,370.</p>	<p>Article 3.5</p> <p>The Company has issued a total number of 1,362,725,370 ordinary shares, of which <u>H Shares</u> amount to 459,589,808 shares, representing 33.73% of the total share capital, and <u>A Shares</u> amount to 903,135,562 shares, representing 66.27% of the total share capital. The registered share capital of the Company is RMB1,362,725,370.</p>

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Existing Articles	Revised Articles
<p>Article 3.6</p> <p>The Company’s board of directors may make implementing arrangements for the respective issuance of <u>overseas-listed foreign shares</u> and <u>domestic shares</u> after proposals for issuance of the same have been approved by the State Council’s securities authorities.</p> <p>The Company may implement its proposals to issue <u>overseas-listed foreign shares</u> and <u>domestic shares</u> respectively pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the State Council’s securities authorities.</p>	<p>Article 3.6</p> <p>The Company’s board of directors may make implementing arrangements for the respective issuance of <u>H Shares</u> and <u>A Shares</u> after proposals for issuance of the same have been approved by the State Council’s securities authorities.</p> <p>The Company may implement its proposals to issue <u>H Shares</u> and <u>A Shares</u> respectively pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the State Council’s securities authorities.</p>
<p>Article 3.7</p> <p>Where the total number of shares stated in the proposal for the issuance of shares includes <u>overseas-listed foreign shares</u> and <u>domestic shares</u>, such shares should be fully subscribed for in a single time at their respective offerings. If the shares cannot be fully subscribed for at their offerings due to special circumstances, the shares may, subject to the approval of the State Council Securities Policy Committee, be issued in separate tranches.</p>	<p>Article 3.7</p> <p>Where the total number of shares stated in the proposal for the issuance of shares includes <u>H Shares</u> and <u>A Shares</u>, such shares should be fully subscribed for in a single time at their respective offerings. If the shares cannot be fully subscribed for at their offerings due to special circumstances, the shares may, subject to the approval of the State Council Securities Policy Committee, be issued in separate tranches.</p>

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Existing Articles	Revised Articles
<p>Article 3.12</p> <p>If shareholders holding 5% or more of the <u>domestic shares</u> (with voting right) of the Company sell their shares within six (6) months from the date where such shares are acquired, or purchase shares within six (6) months from the date where such shares are disposed of, any profit deriving therefrom shall belong to the Company.</p> <p>The preceding paragraph is applicable to the Directors, supervisors, presidents and other senior officers of the Company who hold 5% or more of the <u>domestic shares</u> (with voting right) of the Company.</p> <p>For the purpose of the preceding paragraph in this Article, the shares or other equity securities held by the Directors, supervisors, presidents and other senior officers of the Company include the shares or other equity securities held by his or her spouse, parents, or children, or held by using other persons' accounts.</p>	<p>Article 3.12</p> <p>If shareholders holding 5% or more of the <u>A Shares</u> (with voting right) of the Company sell their shares <u>or other securities with the nature of equity interests</u> within six (6) months from the date where such shares are acquired, or purchase shares within six (6) months from the date where such shares are disposed of, any profit deriving therefrom shall belong to the Company. <u>The Board of the Company shall recover the profit thereof, except where a securities company holds more than 5% or more of the shares by taking up the remaining shares not subscribed subsequent to underwriting and other circumstances as prescribed by the China Securities Regulatory Commission.</u></p> <p>The preceding paragraph is applicable to the Directors, supervisors, presidents and other senior officers of the Company who hold 5% or more of the <u>A Shares</u> (with voting right) of the Company.</p>

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Existing Articles	Revised Articles
	<p>For the purpose of the preceding paragraph in this Article, the shares or other equity securities held by the Directors, supervisors, presidents and other senior officers of the Company include the shares or other equity securities held by his or her spouse, parents, or children, or held by using other persons' accounts.</p> <p><u>Where the Board of the Company fails to observe paragraph 1 of this Article, the shareholders shall be entitled to request the Board to enforce it within thirty (30) days. If the Board of the Company fails to do so within the said prescribed period, the shareholders are entitled to initiate court proceedings at the People's Court directly in their own name for the interests of the Company.</u></p> <p><u>Where the Board of the Company fails to observe paragraph 1 of this Article, the responsible Director(s) shall assume joint and several liabilities.</u></p>
<p>Article 4.7</p> <p>Shares repurchased in accordance with law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original companies registration authority for registration of the change of its registered capital.</p> <p>The amount of the Company's registered capital shall be reduced by the aggregate par value of those cancelled shares.</p>	<p><i>Deleting this Article, the subsequent number of the Articles will be changed accordingly.</i></p>

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Existing Articles	Revised Articles
<p>Article 6.2</p> <p>Share certificates of the Company shall <u>either</u> be in registered form <u>or in bearer form</u>. Apart from what is required by the Company Law to be stated on the share certificate of the Company, it shall also state other items which are required to be stated by the stock exchanges on which the Company's shares are listed.</p>	<p>Article 6.2</p> <p>Share certificates of the Company shall be in registered form. Apart from what is required by the Company Law to be stated on the share certificate of the Company, it shall also state other items which are required to be stated by the stock exchanges on which the Company's shares are listed.</p>
<p>Article 6.6</p> <p>The Company may, in accordance with the mutual understanding and agreements made between the State Council's securities authorities and overseas securities regulatory authorities, maintain the register of shareholders of <u>overseas-listed foreign shares</u> overseas and appoint overseas agent(s) to manage such register of shareholders. The original register of shareholders for holders of <u>H shares</u> shall be maintained in Hong Kong.</p> <p>A duplicate register of shareholders for the holders of <u>overseas-listed foreign shares</u> shall be maintained at the Company's office. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times. If there is any inconsistency between the original and the duplicate register of shareholders for the holders of <u>overseas-listed foreign shares</u>, the original register of shareholders shall prevail.</p>	<p>Article 6.6</p> <p>The Company may, in accordance with the mutual understanding and agreements made between the State Council's securities authorities and overseas securities regulatory authorities, maintain the register of shareholders of <u>H Shares</u> overseas and appoint overseas agent(s) to manage such register of shareholders. The original register of shareholders for holders of <u>H Shares</u> shall be maintained in Hong Kong.</p> <p><u>The Hong Kong branch register of the register of shareholders of H Shares shall be open for inspection by shareholders of the Company, but the Company is permitted to close the register on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).</u></p> <p>A duplicate register of shareholders for the holders of <u>H Shares</u> shall be maintained at the Company's office. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times. If there is any inconsistency between the original and the duplicate register of shareholders for the holders of <u>H Shares</u>, the original register of shareholders shall prevail.</p>

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Existing Articles	Revised Articles
<p>Article 6.7</p> <p>The Company shall have a complete register of shareholders which shall include the following parts:</p> <p>.....</p> <p>(2) the register of shareholders in respect of the holders of <u>overseas-listed foreign shares</u> of the Company which is maintained in <u>the same place as the overseas stock exchange on which the shares are listed</u>; and</p> <p>.....</p>	<p>Article 6.7</p> <p>The Company shall have a complete register of shareholders which shall include the following parts:</p> <p>.....</p> <p>(2) the register of shareholders in respect of the holders of <u>H Shares</u> of the Company which is maintained in <u>Hong Kong</u>; and</p> <p>.....</p>
<p>Article 6.9</p> <p>All <u>H shares</u> listed in Hong Kong which have been fully paid-up may be freely transferred in accordance with these Articles of Association.</p> <p>.....</p> <p>(2) the instrument of transfer only relates to <u>H shares</u> listed in Hong Kong;</p> <p>.....</p>	<p>Article 6.9</p> <p>All <u>H Shares</u> listed in Hong Kong which have been fully paid-up may be freely transferred in accordance with these Articles of Association.</p> <p>.....</p> <p>(2) the instrument of transfer only relates to <u>H Shares</u> listed in Hong Kong;</p> <p>.....</p>

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Existing Articles	Revised Articles
<p>Article 6.10</p> <p>No change shall be made in the register of the Company's holders of <u>H shares</u> as a result of a transfer of shares within five (5) days before the record date for the Company's distribution of dividends. The Company must notify the holders of <u>H shares</u> of any closure of its transfer books or register of members in respect of the Company's <u>H shares</u> at least ten (10) business days before the closure by way of announcement.</p> <p>The interval between the share registration date for the shareholders of <u>A shares</u> and the date of the shareholders' meeting shall not exceed seven (7) business days.</p> <p>.....</p>	<p>Article 6.10</p> <p>No change shall be made in the register of the Company's holders of <u>H Shares</u> as a result of a transfer of shares within five (5) days before the record date for the Company's distribution of dividends. The Company must notify the holders of <u>H Shares</u> of any closure of its transfer books or register of members in respect of the Company's <u>H Shares</u> at least ten (10) business days before the closure by way of announcement.</p> <p>The interval between the share registration date for the shareholders of <u>A Shares</u> and the date of the shareholders' meeting shall not exceed seven (7) business days.</p> <p>.....</p>

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Existing Articles	Revised Articles
<p>Article 6.13</p> <p>.....</p> <p>A holder of <u>domestic shares</u> who has lost his share certificate (in registered form) may request the People's Court to declare the share certificate invalid according to the public notice procedures prescribed in the Civil Procedural Law of the PRC.</p> <p>.....</p> <p>Application by a holder of <u>overseas-listed foreign shares</u>, who has lost his share certificate, for a replacement share certificate may be dealt with in accordance with the law, the rules of the stock exchange or other relevant regulations of the place where the original register of shareholders of overseas-listed foreign shares is maintained.</p> <p>The issuance of replacement share certificate to a holder of <u>H shares</u> who has lost his share certificate shall comply with the following requirements:</p> <p>.....</p>	<p>Article 6.13</p> <p>.....</p> <p>A holder of <u>A Shares</u> who has lost his share certificate (in registered form) may request the People's Court to declare the share certificate invalid according to the public notice procedures prescribed in the Civil Procedural Law of the PRC.</p> <p>.....</p> <p>Application by a holder of <u>H Shares</u>, who has lost his share certificate, for a replacement share certificate may be dealt with in accordance with the law, the rules of the stock exchange or other relevant regulations of the place where the original register of shareholders of overseas-listed foreign shares is maintained.</p> <p>The issuance of replacement share certificate to a holder of <u>H Shares</u> who has lost his share certificate shall comply with the following requirements:</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 7.2</p> <p>The ordinary shareholders of the Company shall enjoy the following rights:</p> <p>.....</p> <p>(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;</p> <p>(7) other rights conferred by laws, administrative regulations and these Articles of Association.</p>	<p>Article 7.2</p> <p>The ordinary shareholders of the Company shall enjoy the following rights:</p> <p>.....</p> <p>(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;</p> <p>(7) <u>the right to speak at a shareholders' general meeting;</u></p> <p>(8) <u>the right to vote at a shareholders' general meeting except where a shareholder is required, by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, to abstain from voting to approve the matter under consideration;</u></p> <p>(9) other rights conferred by laws, administrative regulations and these Articles of Association.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 7.9</p> <p>The controlling shareholder referred to in Article 7.6, Article 7.7 and Article 7.8 of these Articles of Association means a person who meets one of the following conditions:</p> <p>(1) <u>a shareholder who holds shares representing 50% or more of the entire share capital of the Company;</u></p> <p>(2) <u>despite holding less than 50% of the entire share capital of the Company, the voting right it is entitled to in respect of the shares it holds is sufficient to pose a significant influence on the resolutions of the shareholders' meetings and shareholders' general meetings.</u></p>	<p>Article 7.9</p> <p>The controlling shareholder referred to in Article 7.6, Article 7.7 and Article 7.8 of these Articles of Association means a person who meets one of the following conditions:</p> <p>(1) <u>a person who, acting alone or in concert with others, has the power to elect more than half of the Board members;</u></p> <p>(2) <u>a person who, acting alone or in concert with others, has the power to exercise or to control the exercise of 30% (inclusive) or more of the voting rights in the Company;</u></p> <p>(3) <u>a person who, acting alone or in concert with others, holds 30% (inclusive) or more of the issued and outstanding shares of the Company;</u></p> <p>(4) <u>a person who, acting alone or in concert with others, has de facto control of the Company in any other way.</u></p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 7.10</p> <p>Connected transactions between connected persons as defined under the listing rules of the stock exchange on which the shares of the Company are listed and the Company shall observe the following principles:</p> <p>(1) a written agreement shall be executed for any connected transaction between any connected person and the Company. Such agreement shall be executed on a fair, voluntary and equal-value basis and with consideration, and its content shall be clear and specific. The Company shall disclose the execution, amendment, termination and performance of such agreement timely and sufficiently pursuant to relevant regulations;</p> <p>(2) the Company shall take effective measures to prevent any connected person from damaging the interest of the Company by intervening in its operation through monopolization of the sale and purchase channels. Commercial principles shall be observed for all connected transactions, which in principle shall not deviate from the standard of price or charge of independent third parties in the market. The Company shall fully disclose the basis of pricing for any connected transaction;</p>	<p>Deleting this Article.</p>

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Existing Articles	Revised Articles
<p>(3) the Company shall take effective measures to prevent any connected person from, in any manner whatsoever, appropriating or transferring any capital, assets and other resources of the Company and shall not provide any guarantee for any connected person.</p>	
<p>Article 8.2</p> <p>The shareholders' general meeting shall have the following functions and powers:</p> <p>.....</p> <p>(10) to decide on the issue of shares, repurchase of the shares of the Company, the issue of debentures by the Company and other financing instruments by the Company;</p> <p>(11) to decide on the appointment, dismissal and non-reappointment of the accountants of the Company;</p> <p>.....</p> <p><u>(13)</u> to consider motions proposed by shareholder(s) who represent(s) 3% or more of the shares of the Company carrying voting right;</p>	<p>Article 8.2</p> <p>The shareholders' general meeting shall have the following functions and powers:</p> <p>.....</p> <p>(10) to decide on the issue of shares, repurchase of the shares of the Company <u>apart from the circumstances set out under Article 4.4(3), (5) and (6) of these Articles of Association</u>, the issue of debentures by the Company and other financing instruments by the Company;</p> <p>(11) to decide on the appointment, dismissal, non-reappointment <u>and remuneration</u> of the accountants of the Company;</p> <p>.....</p> <p><u>(13)</u> <u>to examine and approve the provision of guarantees under Article 8.3 of these Articles of Association;</u></p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p><u>(14)</u> to examine and approve external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which meet one of the following standards:</p> <p>(a) (the assets which are the subject of the transaction account for 50% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;</p> <p><u>(b)</u> the operating income of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the operating income in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>50 million yuan</u>;</p> <p><u>(c)</u> the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>5 million yuan</u>;</p>	<p><u>(14)</u> <i>to examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;</i></p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p><u>(d)</u> the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for 50% or more of the net assets in the latest audited consolidated statements of the listed company, and the absolute amount exceeds <u>50 million yuan</u>;</p> <p><u>(e)</u> the profit generated by the transaction accounts for 50% or more of the net profit in the latest audited consolidated statements of the listed company, and the absolute amount exceeds <u>5 million yuan</u>;</p> <p><u>(f)</u> if the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation;</p> <p><u>(g)</u> other external investment and asset disposal activities assets which are required by the laws and regulations to be resolved by shareholders' general meeting, or are considered by the shareholders' general meeting to be resolved by the same.</p> <p><u>(15)</u> to examine and approve the following investments in derivatives:</p> <p>.....</p>	<p><u>(15) to examine and approve matters relating to changes in the use of funds raised;</u></p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p><u>(16)</u> to examine and approve <u>connected transaction which meets one of the following standards:</u></p> <p style="padding-left: 40px;"><u>(a)</u> connected transaction between the Company and connected person (excluding the receipt of cash assets and provision of guarantee by the Company) in amount of <u>30 million yuan</u> or more and representing 5% or more of the absolute amount of the latest audited net assets of the Company;</p> <p style="padding-left: 40px;"><u>(b)</u> <u>provision of guarantee by the Company for connected person.</u></p> <p><u>(17)</u> to authorize the Board to amend relevant rules of procedures and working system pursuant to the relevant laws and regulations and requirements of regulatory authorities. The amendments shall follow the principles below:</p> <p>.....</p>	<p><u>(16)</u> <u>to examine share incentive schemes and employee stock ownership plans;</u></p> <p><u>(17)</u> to consider motions proposed by shareholder(s) who represent(s) 3% or more of the shares of the Company carrying voting right;</p>

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Existing Articles	Revised Articles
<p><u>(18)</u> other matters to be decided in shareholders' general meeting provided by the laws, administrative regulations <u>a(as)nd</u> these Articles of Association.</p> <p>Investments in derivatives that do not meet the criteria as provided in item <u>(15)</u> of this Article shall be determined by the Board. Article 10.16 of these Articles of Association shall still be applicable to the disposal of fixed assets.</p>	<p><u>(18)</u> to examine and approve external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which meet one of the following standards:</p> <p>(a) the assets which are the subject of the transaction account for 50% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;</p> <p><u>(b) the net assets which are the subject (for example, equity interests) of the transaction account for 50% or more of the net assets in the latest audited consolidated statements of the Company, and the absolute amount exceeds RMB50 million. If there are both book value and assessed value for the net assets which are the subject of the transaction, the higher figure shall prevail;</u></p>

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Existing Articles	Revised Articles
	<p><u>(c)</u> the operating income of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the operating income in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>RMB50 million</u>;</p> <p><u>(d)</u> the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>RMB5 million</u>;</p> <p><u>(e)</u> the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for 50% or more of the net assets in the latest audited consolidated statements of the listed company, and the absolute amount exceeds <u>RMB50 million</u>;</p> <p><u>(f)</u> the profit generated by the transaction accounts for 50% or more of the net profit in the latest audited consolidated statements of the listed company, and the absolute amount exceeds <u>RMB5 million</u>;</p>

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Existing Articles	Revised Articles
	<p>(g) if the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation;</p> <p>(h) other external investment and asset disposal activities assets which are required by the laws and regulations to be resolved by shareholders' general meeting, or are considered by the shareholders' general meeting to be resolved by the same.</p> <p>(19) to examine and approve the following investments in derivatives:</p> <p>.....</p> <p>(20) to examine and approve connected transaction between the Company and connected person (excluding the receipt of cash assets and provision of guarantee by the Company) in amount of <u>RMB30 million</u> or more and representing 5% or more of the absolute amount of the latest audited net assets of the Company;</p> <p>(21) to authorize the Board to amend relevant rules of procedures and working system pursuant to the relevant laws and regulations and requirements of regulatory authorities. The amendments shall follow the principles below:</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
	<p><u>(22)</u> other matters to be decided in shareholders' general meeting provided by the laws, administrative regulations <u>and</u> these Articles of Association.</p> <p>Investments in derivatives that do not meet the criteria as provided in item <u>(19)</u> of this Article shall be determined by the Board. Article 10.16 of these Articles of Association shall still be applicable to the disposal of fixed assets.</p>
<p>Article 8.3</p> <p>Provision of external guarantee by the Company as set forth below must be approved by the shareholders in a general meeting.</p> <p>(6) the provision of any guarantee for the shareholders, the persons in actual control and <u>their</u> connected persons.</p>	<p>Article 8.3</p> <p>Provision of external guarantee by the Company as set forth below must be approved by the shareholders in a general meeting.</p> <p>(6) the provision of any guarantee for the shareholders, the persons in actual control and <u>other</u> connected persons.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 8.10</p> <p>The Board, the supervisory committee and any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose motion(s).</p> <p>Any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose and submit in writing to the convener additional motions <u>sixteen (16) days</u> prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice of the general meeting within <u>the prescribed period</u> to announce the contents of the additional motion(s).</p> <p>Except as prescribed in the above paragraph, after the notice of the general meeting has been issued, the convener shall not make any change in the proposed motion(s) as set out in the notice of the general meeting nor add any new motion(s).</p> <p><u>When the largest shareholder proposes a new motion on profit distribution, the same shall be submitted to the Board at least sixteen (16) days prior to the date of the annual general meeting for announcement by the Board. If the submission is made less than sixteen (16) days prior to the date of the general meeting, the largest shareholder shall not propose any new motion on profit distribution at the said annual general meeting.</u></p>	<p>Article 8.10</p> <p>The Board, the supervisory committee and any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose motion(s).</p> <p>Any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose and submit in writing to the convener additional motions <u>ten (10) days</u> prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice of the general meeting within <u>two (2) days after the receipt of the motion(s)</u> to announce the contents of the additional motion(s).</p> <p>Except as prescribed in the above paragraph, after the notice of the general meeting has been issued, the convener shall not make any change in the proposed motion(s) as set out in the notice of the general meeting nor add any new motion(s).</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p><u>Any additional motion so proposed shall be submitted to the Board at least sixteen (16) days prior to the date of convening the general meeting for announcement by the Board. Any additional motion proposed at the meeting or other motions which have not been announced shall not be resolved at the general meeting.</u></p> <p><u>If the motions are amended before the general meeting or additional motions are proposed at the annual general meeting, the Company shall issue a supplemental notice of the general meeting within the prescribed period to disclose the contents of the amended motions, or the names of shareholders proposing such additional motion(s), their shareholdings and the contents of the new motion(s).</u></p> <p>.....</p>	
<p>Article 8.11</p> <p>Matters which are not included in a notice of general meeting shall not be resolved at the shareholders' general meeting.</p>	<p>Article 8.11</p> <p>Matters which are not included in a notice of general meeting <u>or that are inconsistent with the provision under Article 8.10 of these Articles of Association</u> shall not be resolved at the shareholders' general meeting.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 8.13</p> <p>As for holders of <i>foreign shares</i>, the notice of shareholders' general meeting shall be delivered to shareholders (with or without voting power at the general meeting) by hand or by prepaid post at their respective addresses which appear in the register of shareholders, or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange). As for holders of <i>domestic shares</i>, the notice of the shareholders' general meeting may also be made by way of announcement.</p>	<p>Article 8.13</p> <p>As for holders of <i>H Shares</i>, the notice of shareholders' general meeting shall be delivered to shareholders (with or without voting power at the general meeting) by hand or by prepaid post at their respective addresses which appear in the register of shareholders, or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange). As for holders of <i>A Shares</i>, the notice of the shareholders' general meeting may also be made by way of announcement.</p>
<p>Article 8.15</p> <p>To effectively protect the rights of shareholders to take part in the shareholders' general meeting, any shareholder who is entitled to attend and vote at a shareholders' general meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf.</p> <p>.....</p>	<p>Article 8.15</p> <p>To effectively protect the rights of shareholders to take part in the shareholders' general meeting, any shareholder who is entitled to attend and vote at a shareholders' general meeting of the Company (<i>including Hong Kong Securities Clearing Company Limited</i>) shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 8.18</p> <p>.....</p> <p>If the appointer is a legal person, its legal representative or person authorized by its board of directors or other governing body may attend any meeting of the shareholders of the Company as a representative of the appointer.</p>	<p>Article 8.18</p> <p>.....</p> <p>If the appointer is a legal person, its legal representative or person authorized by its board of directors or other governing body may attend any meeting of the shareholders of the Company as a representative of the appointer.</p> <p><i><u>If the shareholder is a recognized clearing house as defined in the relevant laws and regulations of the locality where the shares of the Company is listed, such recognized clearing house may authorize one or more proxy(ies) as it thinks fit to act as its proxy(ies) at any shareholders' general meeting or class meeting or creditors' meeting, and this/these proxy(ies) shall enjoy the same legal rights as other shareholders, including the right to speak and the right to vote. However, if more than one proxy is appointed, the proxy form shall specify the number and class of shares represented by each of such proxies under the authorization. Such authorized proxies are entitled to exercise the rights on behalf of the recognized clearing house or their agent (without presentation of evidence of their shareholding, notarized authorization and/or further proof demonstrating the duly granting of the same), as if they were the individual shareholders of the Company.</u></i></p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 8.23</p> <p>.....</p> <p>If a shareholder buys voting shares of the Company in violation of the <u>provision of the Securities Law on holding 5% of the listed company's shares within a certain period of time shall not be traded</u>, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty-six months after the purchase and shall not be counted as part of the total number of voting shares present at the shareholders' general meeting.</p>	<p>Article 8.23</p> <p>.....</p> <p>If a shareholder buys voting shares of the Company in violation of the <u>provisions of sections 63(1) and (2) of the Securities Law</u>, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty-six months after the purchase and shall not be counted as part of the total number of voting shares present at the shareholders' general meeting.</p>
<p>Article 8.35</p> <p>The following matters shall be resolved by a special resolution at a shareholders' general meeting:</p> <p>.....</p> <p>(3) the division, spin-off, merger, dissolution and liquidation of the Company;</p> <p>(4) <u>the Company repurchase its own shares under the circumstances as required in (1) and (2) of Article 4.4 of these Articles of Association;</u></p> <p>(5) the amendment of these Articles of Association;</p> <p>(6) other matters which are resolved in shareholders' general meeting by ordinary resolution as being material to the Company and required to be passed by special resolution.</p>	<p>Article 8.35</p> <p>The following matters shall be resolved by a special resolution at a shareholders' general meeting:</p> <p>.....</p> <p>(3) the division, spin-off, merger, dissolution and liquidation of the Company;</p> <p>(4) the amendment of these Articles of Association;</p> <p>(5) <u>the Company's purchase and disposal of material assets or the amount of guarantee within one year, which exceeds 30% of the latest audited total assets of the Company;</u></p> <p>(6) <u>any share incentive schemes;</u></p> <p>(7) other matters which are resolved in shareholders' general meeting by ordinary resolution as being material to the Company and required to be passed by special resolution.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 8.43</p> <p>Minutes of a shareholders' general meeting should be kept. The minutes should set out the following:</p> <p>.....</p> <p>(2) the number of voting shares held by the shareholders of <u>domestic shares</u> (including their proxies) and voting shares held by shareholders of <u>foreign shares</u> (including their proxies) who have attended the meeting and their respective proportion to the total number of shares of the Company;</p> <p>.....</p> <p>(6) the voting result of each resolution (the voting results of each and every resolution by the shareholders of <u>domestic shares</u> and shareholders of <u>foreign shares</u> should also be recorded respectively);</p> <p>.....</p>	<p>Article 8.43</p> <p>Minutes of a shareholders' general meeting should be kept. The minutes should set out the following:</p> <p>.....</p> <p>(2) the number of voting shares held by the shareholders of <u>A Shares</u> (including their proxies) and voting shares held by shareholders of <u>H Shares</u> (including their proxies) who have attended the meeting and their respective proportion to the total number of shares of the Company;</p> <p>.....</p> <p>(6) the voting result of each resolution (the voting results of each and every resolution by the shareholders of <u>A Shares</u> and shareholders of <u>H Shares</u> should also be recorded respectively);</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 9.6</p> <p>When the Company convenes a class meeting, a notice in writing or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange) shall be given <u>forty-five (45) days before the date of the meeting</u> to notify all holders of such class of shares registered in the register of shareholders of the matters to be considered at, and the date and place of, the meeting. <u>Any shareholder who wishes to attend the meeting shall serve a reply slip concerning attendance of the meeting to the Company twenty (20) days before the date of such meeting.</u></p> <p><u>If the shareholders who intend to attend such class meeting represent one-half or more of the total number of shares of that class with right to vote at such meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days give the shareholders further notice of the matters to be considered at, and the date and the place of, the class meeting by way of announcement. The Company may then hold the class meeting after such announcement has been made.</u></p>	<p>Article 9.6</p> <p>When the Company convenes a class meeting, a notice in writing or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange) shall be given <u>in accordance with the requirements of these Articles of Association regarding the prescribed period for giving notice of a general meeting</u> to notify all holders of such class of shares registered in the register of shareholders of the matters to be considered at, and the date and place of, the meeting.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 9.8</p> <p>Apart from the holders of other classes of shares, the holders of <u>the domestic shares</u> and holders of <u>overseas-listed foreign shares</u> shall be deemed to be holders of different classes of shares.</p> <p>The special procedures for approval by class shareholders shall not apply in the following circumstances:</p> <p>(1) where the Company issues, upon the approval by special resolution in a shareholders' general meeting, either separately or concurrently once every twelve (12) months, not more than 20% of each of its existing issued <u>domestic shares</u> and <u>overseas-listed foreign shares</u>; or</p> <p>(2) where the Company's plan to issue <u>domestic shares</u> and <u>overseas-listed foreign shares</u> at the time of its establishment is completed within fifteen (15) months from the date of approval by the securities regulatory authorities of the State Council.</p>	<p>Article 9.8</p> <p>Apart from the holders of other classes of shares, the holders of <u>A Shares</u> and holders of <u>H Shares</u> shall be deemed to be holders of different classes of shares.</p> <p>The special procedures for approval by class shareholders shall not apply in the following circumstances:</p> <p>(1) where the Company issues, upon the approval by special resolution in a shareholders' general meeting, either separately or concurrently once every twelve (12) months, not more than 20% of each of its existing issued <u>A Shares</u> and <u>H Shares</u>; or</p> <p>(2) where the Company's plan to issue <u>A Shares</u> and <u>H Shares</u> at the time of its establishment is completed within fifteen (15) months from the date of approval by the securities regulatory authorities of the State Council.</p>
<p>Article 10.2</p> <p>.....</p> <p>Subject to the compliance with all the relevant laws and administrative regulations, the shareholders' general meeting may by ordinary resolution remove any Director before the expiration of his term of office (however, the Director's right to claim damages arising under any contract from his removal shall not be affected thereby).</p>	<p>Article 10.2</p> <p>.....</p> <p>Subject to the compliance with all the relevant laws and administrative regulations, the shareholders' general meeting may by ordinary resolution remove any Director before the expiration of his term of office (however, the Director's right to claim damages arising under any contract from his removal shall not be affected thereby).</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
	<u>Any person appointed as a Director by the Board to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall be eligible for re-election.</u>
<p>Article 10.15</p> <p>The Board is accountable to the shareholders' general meeting and shall exercise the following functions and powers:</p> <p>.....</p> <p>(6) to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of debentures by the Company;</p> <p>.....</p> <p>(11) to appoint or remove the Company's president(s) and to appoint or remove the deputy president(s) and person in charge of finance of the Company based on the recommendation of the president(s), and to decide on their remuneration;</p> <p>.....</p>	<p>Article 10.15</p> <p>The Board is accountable to the shareholders' general meeting and shall exercise the following functions and powers:</p> <p>.....</p> <p>(6) to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of debentures <u>or other securities and listing</u> by the Company;</p> <p>.....</p> <p>(11) to appoint or remove the Company's president(s), <u>secretary to the Board and other senior management members and to decide on their remuneration, awards and penalty</u>, and to appoint or remove the deputy president(s) and person in charge of finance of the Company based on the recommendation of the president(s), and to decide on their remuneration;</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>(20) to examine and approve external investment, entering into of material commercial contract, entrusted investment, acquisition and disposal of assets and external donations which meet one of the following standards, provided that the same shall be examined and approved at a shareholders' general meeting if it meets the condition set out in item (14) of Article 8.2 or Article 10.16 of the Articles of Association:</p> <p>(a) the total assets which are the subject of the transaction account for 10% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the total assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;</p> <p>(b) the <u>revenue from principal business</u> of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 10% or more of the <u>revenue from principal business</u> in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>10 million yuan</u>;</p>	<p>(20) to examine and approve external investment, entering into of material commercial contract, entrusted investment, acquisition and disposal of assets and external donations which meet one of the following standards, provided that the same shall be examined and approved at a shareholders' general meeting if it meets the condition set out in item (14) of Article 8.2 or Article 10.16 of the Articles of Association:</p> <p>(a) the total assets which are the subject of the transaction account for 10% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the total assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;</p> <p>(b) <u>the net assets which are the subject (for example, equity interests) of the transaction account for 10% or more of the net assets in the latest audited consolidated statements of the Company, and the absolute amount exceeds RMB10 million. If there are both book value and assessed value for the net assets which are the subject of the transaction, the higher figure shall prevail;</u></p>

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Existing Articles	Revised Articles
<p>(c) the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 10% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>1 million yuan</u>;</p>	<p>(c) the <u>operating income</u> of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 10% or more of the <u>operating income</u> in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>RMB10 million</u>;</p>
<p>(d) the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for 10% or more of the net assets in the latest audited consolidated statements of the listed company, and the absolute amount exceeds <u>10 million yuan</u>;</p>	<p>(d) the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 10% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds <u>RMB1 million</u>;</p>
<p>(e) the profit generated by the transaction accounts for 10% or more of the net profit in the audited consolidated statements of the listed company in the latest accounting year, and the absolute amount exceeds <u>1 million yuan</u>;</p>	<p>(e) the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for 10% or more of the net assets in the latest audited consolidated statements of the listed company, and the absolute amount exceeds <u>RMB10 million</u>;</p>
<p>(f) if the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation;</p>	<p>(f) the profit generated by the transaction accounts for 10% or more of the net profit in the audited consolidated statements of the listed company in the latest accounting year, and the absolute amount exceeds <u>RMB1 million</u>;</p>

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Existing Articles	Revised Articles
<p>(g) other external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which are required by the laws and regulations to be examined by the Board, or are considered by the Board as necessary to be examined by the same.</p> <p>(21) to examine and approve connected transaction which meets one of the following standards, provided that the same shall be examined and approved at a shareholders' general meeting if it meets the condition set out in item (16) of Article 8.2 of the Articles of Association:</p> <p>(a) <u>connected transaction between the Company and connected person (excluding the receipt of cash assets and provision of guarantee by the Company) in 47 amount of 3 million yuan or more and representing 0.5% or more of the absolute amount of the latest audited net assets of the Company; or</u></p> <p>(b) other connected transaction which is considered by the Board as necessary to be examined by the same;</p> <p>.....</p>	<p>(g) if the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation;</p> <p>(h) other external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which are required by the laws and regulations to be examined by the Board, or are considered by the Board as necessary to be examined by the same.</p> <p>(21) to examine and approve connected transaction which meets one of the following standards, provided that the same shall be examined and approved at a shareholders' general meeting if it meets the condition set out in item (16) of Article 8.2 of the Articles of Association:</p> <p>(a) <u>transactions with connected natural person with a transaction amount exceeding RMB300,000;</u></p> <p>(b) <u>transactions with connected legal person (or other organizations) with a transaction amount exceeding RMB3 million and accounting for more than 0.5% of the absolute value of the latest audited net assets of the listed company; or</u></p>

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Existing Articles	Revised Articles
<p>Save in respect of the matters specified in sub paragraphs (6), (7), (8) and (13) of this Article which shall be passed by the affirmative votes of two-thirds or more of all the Directors, the Board's resolutions in respect of all other matters above may be passed by the affirmative votes of more than one-half of the Directors.</p>	<p><u>(c)</u> other connected transaction which is considered by the Board as necessary to be examined by the same;</p> <p>.....</p> <p>Save in respect of the matters specified in sub-paragraphs (6), (7), (8) and (13) of this Article <u>and the provisions of the "Rules Governing the Listing of Shares"</u> which shall be passed by the affirmative votes of two-thirds or more of all the Directors, the Board's resolutions in respect of all other matters above may be passed by the affirmative votes of more than one-half of the Directors.</p>
<p>Article 10.35</p> <p>An independent Director should be independent. The following persons shall not act as independent Directors:</p> <p>.....</p> <p>(3) persons who work in entities being shareholders who directly or indirectly hold 5% or more of the issued shares of the Company or entities which rank in the top five shareholders of the Company, as well as their lineal relatives;</p> <p><u>(4)</u> persons who fell within the above <u>three</u> circumstances in the preceding year;</p>	<p>Article 10.35</p> <p>An independent Director should be independent. The following persons shall not act as independent Directors:</p> <p>.....</p> <p>(3) persons who work in entities being shareholders who directly or indirectly hold 5% or more of the issued shares of the Company or entities which rank in the top five shareholders of the Company, as well as their lineal relatives;</p> <p><u>(4) persons who work for the controlling shareholders, de facto controller and their respective subsidiaries of the Company, and their lineal relatives;</u></p>

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Existing Articles	Revised Articles
<p>(5) <u>persons who provide financial, legal and consulting services, etc. to the Company or its subsidiaries.</u></p>	<p>(5) <u>persons who provide financial, legal and consulting services, etc. to the Company and its controlling shareholders, de facto controller or their respective subsidiaries, including but not limited to all project team members of any intermediary which provides services, reviewers at all levels, personnel who sign reports, partners and person-in-charge;</u></p> <p>(6) <u>persons who work in an entity that has material business transactions with the Company and its controlling shareholder, de facto controller or their respective subsidiaries, or work in the controlling shareholder of such entity that has material business transactions;</u></p> <p>(7) persons who fell within the above <u>six</u> circumstances in the preceding year;</p> <p>(8) <u>other persons who is regarded by the Shenzhen Stock Exchange and Hong Kong Stock Exchange to be failing to meet the independence requirements.</u></p>

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Existing Articles	Revised Articles
<p>Article 10.42</p> <p>In order to give full play to the role of the independent Directors, apart from the power and functions conferred by the Company Law and other relevant laws and rules to the independent Directors, the Company also confers the following special power and functions to the independent Directors:</p> <p>(1) <i>material connected transaction (which refers to connected transaction proposed to be entered into between the Company and the connected person whereby the total amount exceeds three (3) million yuan and is more than 0.5% of the latest audited net assets of the Company) and the appointment or removal of the Accounting Firm shall be tendered to the Board for discussion only after approval by one-half or more of the independent Directors;</i></p> <p>(2) to propose to the Board to convene a shareholders' extraordinary general meeting if agreed by one-half or more of all the independent Directors;</p> <p>(3) to propose the convening of a Board meeting if agreed by one-half or more of all the independent Directors;</p> <p>(4) to publicly solicit voting rights from the shareholders before the shareholders' general meeting if agreed by one-half or more of all the independent Directors;</p>	<p>Article 10.42</p> <p>In order to give full play to the role of the independent Directors, apart from the power and functions conferred by the Company Law and other relevant laws and rules to the independent Directors, the Company also confers the following special power and functions to the independent Directors:</p> <p>(1) <i>a connected transaction that is required to be submitted to the shareholders' general meeting for consideration shall be approved by independent directors before it can be submitted to the Board for consideration. Prior to decision-making, independent directors may engage intermediaries to issue a special report;</i></p> <p>(2) <i>to propose the appointment or dismissal of an accounting firm;</i></p> <p>(3) to propose to the Board to convene a shareholders' extraordinary general meeting if agreed by one-half or more of all the independent Directors;</p> <p>(4) to propose the convening of a Board meeting if agreed by one-half or more of all the independent Directors;</p> <p>(5) to publicly solicit voting rights from the shareholders before the shareholders' general meeting if agreed by one-half or more of all the independent Directors;</p>

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Existing Articles	Revised Articles
<p>(5) with the consent of all the independent Directors, to engage external auditing institutions or consultative institutions to provide audit and consultation for specific matters of the Company, the relevant expenses of which shall be borne by the Company;</p> <p>(6) to propose the convening of a meeting to be attended by the independent Directors only if agreed by one-half or more of all the independent Directors;</p> <p>(7) to express independent opinions on the major matters of the Company.</p>	<p>(6) with the consent of all the independent Directors, to engage external auditing institutions or consultative institutions to provide audit and consultation for specific matters of the Company, the relevant expenses of which shall be borne by the Company;</p> <p>(7) to propose the convening of a meeting to be attended by the independent Directors only if agreed by one-half or more of all the independent Directors;</p> <p>(8) to express independent opinions on the major matters of the Company.</p>
<p>Article 10.45</p> <p>The major responsibilities of the audit committee include:</p> <p>.....</p> <p>(3) <u>to be responsible for the coordination between the internal and external audit functions;</u></p> <p>.....</p>	<p>Article 10.45</p> <p>The major responsibilities of the audit committee include:</p> <p>.....</p> <p>(3) <u>to coordinate the communication between the management, internal audit functions and related functions, and the external audit functions;</u></p> <p>.....</p>
<p>Article 16.5</p> <p>.....</p> <p>The Company shall send to each holder of overseas-listed foreign shares (including but not limited to holders of <u>H shares</u>) a copy of the financial report.....</p> <p>.....</p>	<p>Article 16.5</p> <p>.....</p> <p>The Company shall send to each holder of overseas-listed foreign shares (including but not limited to holders of <u>H Shares</u>) a copy of the financial report</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 16.17</p> <p>.....</p> <p>(4) Adjustment process of profit distribution policies:</p> <p>.....</p> <p>(b) The opinions of the independent Directors and general public shareholders shall be given due consideration in the course of discussion, formulation and amendment to the profit distribution policies of the Company. The Company shall hear the opinions of shareholders on its profit distribution policies through investor telephone consultation, on-site survey and investor interactive platform, etc.</p> <p>.....</p>	<p>Article 16.17</p> <p>.....</p> <p>(4) Adjustment process of profit distribution policies:</p> <p>.....</p> <p>(b) The opinions of the independent Directors and general public shareholders shall be given due consideration in the course of discussion, formulation and amendment to the profit distribution policies of the Company. The Company shall hear the opinions of <u>the relevant</u> shareholders on its profit distribution policies through investor telephone consultation, on-site survey and investor interactive platform, etc.</p> <p>.....</p>
<p>Article 16.20</p> <p>The cash dividends and other distributions for <u>domestic shares</u> shall be payable in RMB. The cash dividends and other distributions for <u>H shares</u> shall be declared in RMB and shall be payable in Hong Kong Dollars in accordance with the foreign exchange control requirements of the State.</p>	<p>Article 16.20</p> <p>The cash dividends and other distributions for <u>A Shares</u> shall be payable in RMB. The cash dividends and other distributions for <u>H Shares</u> shall be declared in RMB and shall be payable in Hong Kong Dollars in accordance with the foreign exchange control requirements of the State.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 16.21</p> <p>The Company shall appoint receiving agents for holders of the <u>overseas-listed foreign shares</u>. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts payable by the Company to holders of <u>overseas-listed foreign shares</u> on such shareholders' behalf.</p> <p>The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place where the Company's shares are listed or the relevant requirements of the stock exchange.</p> <p>The receiving agent appointed for holders of <u>H shares</u> listed on the Hong Kong Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.</p>	<p>Article 16.21</p> <p>The Company shall appoint receiving agents for holders of <u>H Share</u>. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts payable by the Company to holders of <u>H Shares</u> on such shareholders' behalf.</p> <p>The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place where the Company's shares are listed or the relevant requirements of the stock exchange.</p> <p>The receiving agent appointed for holders of <u>H Shares</u> listed on the Hong Kong Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.</p>
<p>Article 17.6</p> <p>The remuneration of an Accountancy Firm or the manner according to which the Accounting Firm's remuneration is to be decided shall be determined by the shareholders in a shareholders' general meeting. The remuneration of an Accounting Firm appointed by the Board shall be determined by the Board.</p>	<p>Article 17.6</p> <p>The remuneration of an Accountancy Firm or the manner according to which the Accounting Firm's remuneration is to be decided shall be determined by the shareholders in a shareholders' general meeting <u>by ordinary resolution</u>. The remuneration of an Accounting Firm appointed by the Board shall be determined by the Board.</p>
<p>Article 17.7</p> <p>The Company's appointment, removal or non-reappointment of an Accounting Firm shall be resolved by the shareholders in a shareholders' general meeting, and shall be filed with the securities governing authorities of the State Council.</p>	<p>Article 17.7</p> <p>The Company's appointment, removal or non-reappointment of an Accounting Firm shall be resolved by the shareholders in a shareholders' general meeting <u>by ordinary resolution</u>, and shall be filed with the securities governing authorities of the State Council.</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 21.1</p> <p>.....</p> <p>For holders of <u>H shares</u>, the aforesaid document shall also be delivered by post or by means of electronic communication (including but not limited to publication of an announcement on the Company's websites and the website of the Hong Kong Stock Exchange).</p>	<p>Article 21.1</p> <p>.....</p> <p>For holders of <u>H Shares</u>, the aforesaid document shall also be delivered by post or by means of electronic communication (including but not limited to publication of an announcement on the Company's websites and the website of the Hong Kong Stock Exchange).</p>
<p>Article 24.1</p> <p>The Company shall abide by the following principles in dispute resolution:</p> <p>(1) Whenever any disputes or claims pursuant to the rights and obligations conferred by these Articles of Association, the Company Law, other relevant laws and administrative regulations concerning the affairs of the Company arise between holders of <u>the overseas-listed foreign shares</u> and the Company; holders of <u>the overseas-listed foreign shares</u> and the Directors, supervisors, presidents or other senior officers of the Company, or holders of <u>overseas-listed foreign shares</u> and holders of <u>domestic shares</u>, such disputes or claims shall be referred by the relevant parties to arbitration.</p> <p>.....</p>	<p>Article 24.1</p> <p>The Company shall abide by the following principles in dispute resolution:</p> <p>(1) Whenever any disputes or claims pursuant to the rights and obligations conferred by these Articles of Association, the Company Law, other relevant laws and administrative regulations concerning the affairs of the Company arise between holders of the <u>H Shares</u> and the Company; holders of the <u>H Shares</u> and the Directors, supervisors, presidents or other senior officers of the Company, or holders of <u>H Shares</u> and holders of <u>A Shares</u>, such disputes or claims shall be referred by the relevant parties to arbitration.</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 25.1</p> <p>Any notice, written statement or information (including but not limited to annual report, interim report, quarterly report, notice of meeting, listing document, circular to shareholders, proxy form, reply slip and announcement) made by the Company to the holders of <u>H shares</u> holding registered shares shall be served by hand to the holders of <u>H shares</u> at their respective registered address, or sent by post to all the holders of <u>H shares</u> at their respective addresses which appear in the register of shareholders, or delivered by electronic means (including but not limited to publication of an announcement on the Company's website and the website of the Hong Kong Stock Exchange) in compliance with the laws, administrative regulations and relevant requirements of the securities regulatory authorities of the place of listing, or delivered by other means recognized by the securities regulatory authorities at the place where the Company's shares are listed.</p> <p><u>Any notice issued by the Company to the holders of its domestic shares shall be published on one or more newspapers designated by the securities regulatory authorities of the State, and all holders of domestic shares shall be deemed to have received such notice.</u></p>	<p>Article 25.1</p> <p>Any notice, written statement or information (including but not limited to annual report, interim report, quarterly report, notice of meeting, listing document, circular to shareholders, proxy form, reply slip and announcement) made by the Company to the holders of <u>H Shares</u> holding registered shares shall be served by hand to the holders of <u>H Shares</u> at their respective registered address, or sent by post to all the holders of <u>H Shares</u> at their respective addresses which appear in the register of shareholders, or delivered by electronic means (including but not limited to publication of an announcement on the Company's website and the website of the Hong Kong Stock Exchange) in compliance with the laws, administrative regulations and relevant requirements of the securities regulatory authorities of the place of listing, or delivered by other means recognized by the securities regulatory authorities at the place where the Company's shares are listed.</p> <p><u>Any notice issued by the Company to the holders of A Shares shall be published on one or more newspapers among Shanghai Securities News, Securities Times and China Securities Journal, and designate these newspapers and the website of Shenzhen Stock Exchange as the channels for publishing announcements and other information required to be disclosed by the Company. All holders of A Shares shall be deemed to have received such notice.</u></p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 25.2</p> <p>.....</p> <p>Unless the context of these Articles of Association otherwise requires, “announcement” referred to in these Articles of Association shall mean, in relation to announcements to holders of <u>domestic shares</u> or announcements to be published in the PRC as required by the relevant requirements and these Articles of Association, announcements published in the newspapers in the PRC and on the websites as designated by the PRC laws and regulations or the securities regulatory authorities of the State Council; whereas in relation to announcements to holders of <u>H shares</u> or announcements to be published in Hong Kong as required by the relevant requirements and these Articles of Association, such announcements published in accordance with the requirements of listing rules of the Hong Kong Stock Exchange on the Company’s website, the website of the Hong Kong Stock Exchange or other websites as required from time to time by the listing rules of the Hong Kong Stock Exchange.</p> <p>.....</p>	<p>Article 25.2</p> <p>.....</p> <p>Unless the context of these Articles of Association otherwise requires, “announcement” referred to in these Articles of Association shall mean, in relation to announcements to holders of <u>A Shares</u> or announcements to be published in the PRC as required by the relevant requirements and these Articles of Association, announcements published in the newspapers in the PRC and on the websites as designated by the PRC laws and regulations or the securities regulatory authorities of the State Council; whereas in relation to announcements to holders of <u>H Shares</u> or announcements to be published in Hong Kong as required by the relevant requirements and these Articles of Association, such announcements published in accordance with the requirements of listing rules of the Hong Kong Stock Exchange on the Company’s website, the website of the Hong Kong Stock Exchange or other websites as required from time to time by the listing rules of the Hong Kong Stock Exchange.</p> <p>.....</p>

LETTER FROM THE BOARD

Existing Articles	Revised Articles
<p>Article 26.3</p> <p>Unless otherwise required by the context, the following nouns and phrases shall have the following meanings:</p> <p>“Accounting Firm” have the same meaning as the “Auditor” defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</p>	<p>Article 26.3</p> <p>Unless otherwise required by the context, the following nouns and phrases shall have the following meanings:</p> <p><u>“A Shares”</u> <u>the Company’s shares listed on the Shenzhen Stock Exchange, which are subscribed and traded in RMB</u></p> <p><u>“H Shares”</u> <u>the Company’s shares listed on the Hong Kong Stock Exchange, which are subscribed and traded in Hong Kong dollar</u></p> <p>“Accounting Firm” have the same meaning as the “Auditor” defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</p> <p style="text-align: right;">.....</p>

Notes:

- Contents which are shown as “.....” above are provisions in the Articles of Association but are intentionally omitted for the purpose of this circular as they are not subject to the Proposed Amendments to the Articles of Association.*
- The amendments from “A shares” to “A Shares” and from “H shares” to “H Shares” above are only applicable to the English version of the Articles of Association and are not applicable to the Chinese version of the Articles of Association.*

Save and except for the above-mentioned amendments, the other provisions in the Articles of Association shall remain unchanged.

The amended Articles of Association shall become effective on the date of passing of the relevant resolution at the EGM and the Class Meetings. Prior to the passing of the relevant resolution at the EGM and the Class Meetings, the prevailing Articles of Association of the Company shall remain valid.

LETTER FROM THE BOARD

VII. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE SHAREHOLDER'S GENERAL MEETING

In the light of the actual situation of the Company, the Board proposes to amend the existing rules of procedures for the Shareholders' general meeting. Details of the proposed amendments are as follows:

Existing Rules	Revised as
<p>Rule 2</p> <p>The shareholders' general meeting is the organ of highest authority of the Company and shall exercise its functions and powers in accordance with laws.</p> <p>.....</p> <p>(10) <u>to decide on the issue of debentures by the Company;</u></p> <p>(11) to decide on the acquisition of the Company's shares made by the Company due to the circumstances as specified in the provisions of Article 4.4(1) and (2) in the Articles of Association;</p> <p>(12) to decide on the appointment, dismissal and non-reappointment of the accountants of the Company;</p> <p>(13) to amend the Articles of Association;</p> <p>(14) to consider motions proposed by shareholder(s) who represent(s) 3% or more of the shares of the Company carrying voting right;</p> <p>(15) to examine and approve external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which meet one of the following standards:</p>	<p>Rule 2</p> <p>The shareholders' general meeting is the organ of highest authority of the Company and shall exercise its functions and powers in accordance with laws.</p> <p>.....</p> <p>(10) <u>to decide on the issue of shares, repurchase of the shares of the Company apart from the circumstances set out under Article 4.4(3), (5) and (6) of these Articles of Association, the issue of debentures by the Company and other financing instruments by the Company;</u></p> <p>(11) to decide on the appointment, dismissal, non-reappointment <u>and remuneration</u> of the accountants of the Company;</p> <p>(12) to amend the Articles of Association;</p> <p>(13) <u>to examine and approve the provision of guarantees under Article 8.3 of the Articles of Association;</u></p> <p>(14) <u>to examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;</u></p> <p>(15) <u>to examine and approve matters relating to changes in the use of funds raised;</u></p>

LETTER FROM THE BOARD

Existing Rules	Revised as
<p>(1) the total assets which are the subject of the transaction account for 50% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;</p> <p>(2) the revenue from principal business of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the revenue from principal business in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds 50 million yuan;</p> <p>(3) the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds 5 million yuan;</p> <p>.....</p> <p>Investments in derivatives that do not meet the criteria as provided in item (16) of this Rule shall be determined by the board of directors. Article 10.16 of the Articles of Association shall still be applicable to the disposal of fixed assets.</p>	<p><u>(16) to examine share incentive schemes and employee stock ownership plans;</u></p> <p><u>(17) to consider motions proposed by shareholder(s) who represent(s) 3% or more of the shares of the Company carrying voting right;</u></p> <p><u>(18) to examine and approve external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which meet one of the following standards:</u></p> <p>(1) the assets which are the subject of the transaction account for 50% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;</p> <p><u>(2) the net assets which are the subject (for example, equity interests) of the transaction account for 50% or more of the net assets in the latest audited consolidated statements of the Company, and the absolute amount exceeds RMB50 million. If there are both book value and assessed value for the net assets which are the subject of the transaction, the higher figure shall prevail;</u></p>

LETTER FROM THE BOARD

Existing Rules	Revised as
.....	<p>(3) <u>the operating income</u> of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of <u>the operating income</u> in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds RMB50 million;</p> <p>.....</p> <p>Investments in derivatives that do not meet the criteria as provided in <u>item (19)</u> of this Rule shall be determined by the board of directors. Article 10.16 of the Articles of Association shall still be applicable to the disposal of fixed assets.</p> <p>.....</p>
<p>Rule 15</p> <p>Any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's total voting shares shall be entitled to propose and submit in writing to the convener additional motions <u>16 days</u> prior to the date of the shareholders' general meeting. Upon receiving the motions, the convener shall issue a supplemental notice of the shareholders' general meeting within <u>the prescribed period</u> to announce the contents of the additional motion.</p> <p>.....</p>	<p>Rule 15</p> <p>Any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose and submit in writing to the convener additional motions <u>ten (10) days</u> prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice of the general meeting within <u>two (2) days after the receipt of the motion(s)</u> to announce the contents of the additional motion(s).</p> <p>.....</p>
<p>Rule 26</p> <p><u>Company should hold shareholders' general meeting in the Company's domicile or the place specified in the Articles of Association.</u></p> <p>.....</p>	<p>Rule 26</p> <p><u>The Company shall hold a shareholders' general meeting at the Company's office or at such place as specified in the notice of the general meeting.</u></p> <p>.....</p>

LETTER FROM THE BOARD

Existing Rules	Revised as
<p>Rule 37</p> <p>Connected transactions between the Company and its connected persons of an amount exceeding RMB30 million and consists of 5% or above of the latest audited net asset absolute value of the Company shall be submitted to the shareholders' general meeting for consideration.</p> <p>The approval power regarding other connected transactions shall be decided by the board of directors.</p> <p>.....</p>	<p>Rule 37</p> <p>Connected transactions between the Company and its connected persons <u>(excluding the receipt of cash assets and provision of guarantee by the Company)</u> of an amount exceeding RMB30 million and consists of 5% or above of the latest audited net asset absolute value of the Company shall be submitted to the shareholders' general meeting for consideration.</p> <p>The approval power regarding other connected transactions shall be decided by the board of directors <u>or management</u>.</p> <p>.....</p>
<p>Rule 39</p> <p>.....</p> <p>The Company has no voting right for the shares it holds. The shares held by the Company shall not be counted in the total number of voting shares represented by the shareholders attending the shareholders' general meeting. <u>Purchase of voting shares by shareholders violates the Securities Law's prohibition on trading within a certain period of time after holding 5% of a listed company's shares, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty six months after the purchase, and shall not be counted as part of the total number of voting shares present at the shareholders' general meeting.</u></p> <p>.....</p>	<p>Rule 39</p> <p>.....</p> <p>The Company has no voting right for the shares it holds. The shares held by the Company shall not be counted in the total number of voting shares represented by the shareholders attending the shareholders' general meeting. <u>If a shareholder buys voting shares of the Company in violation of the provisions of sections 63(1) and (2) of the Securities Law, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty-six months after the purchase and shall not be counted as part of the total number of voting shares present at the shareholders' general meeting.</u></p> <p>.....</p>

LETTER FROM THE BOARD

Existing Rules	Revised as
<p>Rule 53</p> <p>The announcement on the resolutions of a shareholders' general meeting shall include the following contents:</p> <p>.....</p> <p>(2) the number of attending shareholders (their proxies), the number of shares held by such shareholders (their proxies) and the proportion to the number of voting shares and to the total number of shares, and the attendance details of <u>domestic</u> shareholders, <u>foreign</u> shareholders, floating shareholders and non-floating shareholders (if applicable) at the meeting;</p> <p>.....</p> <p>(4) the voting results of each motion; and the number of shares representing the votes that are casted to agree or object or are abstained on each resolution by <u>domestic</u> shareholders, <u>foreign</u> shareholders, floating shareholders and non-floating shareholders (if applicable), respectively. Regarding the voting on motion proposed by shareholders, the announcement shall state the name of the proposing shareholders, the proportion of their shareholdings and the content of such motion. In case of connected transactions, the announcement shall include a statement as to abstention of voting by connected shareholders. Specific explanation shall be given if there are motions required to be voted separately by floating shareholders;</p> <p>.....</p>	<p>Rule 53</p> <p>The announcement on the resolutions of a shareholders' general meeting shall include the following contents:</p> <p>.....</p> <p>(2) the number of attending shareholders (their proxies), the number of shares held by such shareholders (their proxies) and the proportion to the number of voting shares and to the total number of shares, and the attendance details of <u>A Shares</u> shareholders, <u>H Shares</u> shareholders, floating shareholders and non-floating shareholders (if applicable) at the meeting;</p> <p>.....</p> <p>(4) the voting results of each motion; and the number of shares representing the votes that are casted to agree or object or are abstained on each resolution by <u>A Shares</u> shareholders, <u>H Shares</u> shareholders, floating shareholders and non-floating shareholders (if applicable), respectively. Regarding the voting on motion proposed by shareholders, the announcement shall state the name of the proposing shareholders, the proportion of their shareholdings and the content of such motion. In case of connected transactions, the announcement shall include a statement as to abstention of voting by connected shareholders. Specific explanation shall be given if there are motions required to be voted separately by floating shareholders;</p> <p>.....</p>

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VIII. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE MEETING OF THE BOARD

In the light of the actual situation of the Company, the Board proposes to amend the existing rules of procedures for the meeting of the Board. Details of the proposed amendments are as follows:

Existing Rules	Revised as
<p>Rule 22</p> <p>Voting at meetings shall be by show of hand or by written. Each Director has one (1) vote.</p> <p><u>Except the following matters that they shall be approved by over two-thirds of the directors, others shall be required to approve by a majority of all the Directors.</u></p> <p>(1) <u>to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of debentures by the Company;</u></p> <p>(2) <u>to draw up plans for material acquisition or disposal by the Company, merger, division or dissolution of the Company;</u></p> <p>(3) <u>to formulate proposals for any amendment of these Articles of Association.</u></p>	<p>Rule 22</p> <p>Voting at meetings shall be by show of hand or by written. Each Director has one (1) vote.</p> <p><u>Except the following matters that they shall be approved by a resolution of the Board meeting where over two-thirds of the directors are present, others shall be required to approve by a majority of all the Directors.</u></p> <p>(1) <u>repurchase of the shares of the Company under Article 4.4(3), (5) and (6) of the Articles of Association,</u></p> <p>(2) <u>the provision of financial assistance by the Company.</u></p> <p>(3) <u>the provision of guarantee by the Company.</u></p>

IX. EGM AND H SHARE CLASS MEETING

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 Incentive Scheme (Draft) and its summary, including the issue of Restricted A Shares under the Specific Mandate; (ii) 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; and (iv) the proposed amendments to the Articles of Association.

Ordinary resolutions will be proposed at the EGM for considering and, if thought fit, approving, among other things, (i) the Stock Ownership Plan (Draft) and its summary; (ii) the Administrative Measures for the Stock Ownership Plan; (iii) the proposed authorization

LETTER FROM THE BOARD

to the Board to deal with matters relating to the Stock Ownership Plan; (iv) the proposed amendments to the rules of procedures for the Shareholders' general meeting; and (v) the proposed amendments to the rules of procedures for the meeting of the Board.

The EGM will be held at the conference room of Hisense Building, No.17 Donghai West Road, Qingdao City, Shandong Province, the PRC on Tuesday, 28 February 2023 at 3:00 p.m., at which the relevant resolutions set out above will be proposed. The H Share Class Meeting will be held at the same venue on Tuesday, 28 February 2023 after the conclusion of the EGM and the A Share Class Meeting, at which the relevant resolutions set out above will be proposed.

A notice of the EGM, a notice of the H Share Class Meeting, proxy forms for use at the EGM and the H Share Class Meeting, and reply slips for the EGM and the H Share Class Meeting, have been despatched by the Company on Friday, 13 January 2023 and are also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the proxy forms for use at the EGM and/or the H Share Class Meeting in accordance with the instructions printed on them and return them to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM and the H Share Class Meeting (that is, not later than 3:00 p.m. on Monday, 27 February 2023) or any adjournment of such meeting (as the case may be). Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM and/or the H Share Class Meeting or any adjournment of such meetings (as the case may be) should you so wish and, in such event, the proxy form(s) previously submitted shall be deemed to be revoked.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip for the EGM to the registered office of the Company at No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, the PRC (postal code: 528303) by personal delivery, post or fax during hours between 8:30 a.m. and 11:00 a.m., 1:30 p.m. and 4:30 p.m. on every business day on or before Monday, 20 February 2023.

If you intend to attend the H Share Class Meeting in person or by proxy, you are required to complete and return the reply slip for the H Share Class Meeting to the registered office of the Company at No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, the PRC (postal code: 528303) by personal delivery, post or fax during hours between 8:30 a.m. and 11:00 a.m., 1:30 p.m. and 4:30 p.m. on every business day on or before Monday, 20 February 2023.

Failure to complete or return the reply slip will not preclude eligible Shareholders from attending the EGM and/or the H Share Class Meeting should they so wish.

LETTER FROM THE BOARD

The vote of the Shareholders at the EGM and the H Share Class Meeting will be taken by poll in accordance with Rule 13.39(4) of the Hong Kong Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM and the H Share Class Meeting, the register of members of the Company will be closed from Tuesday, 21 February 2023 to Tuesday, 28 February 2023 (both days inclusive). In order to qualify for attending the EGM and the H Share Class Meeting, all transfer documents of H Shares together with the relevant share certificates must have been lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 20 February 2023 for registration.

X. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of the EGM and notices of Class Meetings for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings.

XI. RESPONSIBILITY STATEMENT

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

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

STATEMENT

The Company and all of its directors and supervisors warrant that there are no false representation, misleading statement or material omission in the Incentive Scheme and its summary, and assume joint and several liability for its truthfulness, accuracy and completeness.

All Participants undertake that, if there are false representations, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting or exercising the entitlements, the Participants concerned shall return all the benefits obtained from the Incentive Scheme to the Company after the existence of false representations, misleading statements or material omissions in relevant information disclosure documents is confirmed.

SPECIAL NOTE

- I. The Incentive Scheme is prepared under the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures on Share Incentives of Listed Companies, Self-Regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Business Handling, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and other relevant laws, regulations and regulatory documents, as well as the Articles of Association.
- II. The form of incentive adopted by the Incentive Scheme is Restricted Shares. The source of the shares shall be the ordinary A shares of Hisense Home Appliances Group Co., Ltd. (the "Company") issued by it to the Participants.
- III. 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 the announcement of the Incentive Scheme.

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 within their Validity Period 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 of the Company in issue as at the date of the approval of the Incentive Scheme on the date of the general meeting, the A share class meeting and the H share class meeting. 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 of the Company.

- IV. The Grant Price of Restricted Shares under the Incentive Scheme shall be RMB6.64 per share.
- V. In the event of any capitalization of capital reserve, bonus issue, sub-division of shares or consolidation of shares or rights issue of the Company during the period from the date of announcement of the Incentive Scheme to the date of completion of the registration of Restricted Shares by the Participants, the number of Restricted Shares granted shall be adjusted in accordance with the Incentive Scheme accordingly.
- VI. There are 596 Participants to be granted under the Incentive Scheme, including mid-level management and key staff who serve the Company (including its subsidiaries, the same applies below) at the time of announcement of the Incentive Scheme made by the Company.
- VII. 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 the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.
- VIII. None of the following circumstances, in which the implementation of the share incentives shall not be conducted as stipulated under Article 7 of the Administrative Measures, has occurred to the Company:
- (1) 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;
 - (2) 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;
 - (3) 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;
 - (4) the implementation of share incentives is prohibited by laws and regulations;
 - (5) other circumstances as determined by the CSRC.
- IX. 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 of the Company or the de facto controllers and their spouses, parents or children. None of the following circumstances, in which a Participant of the Incentive Scheme becomes unqualified to be a Participant as stipulated under Article 8 of the Administrative Measures, has occurred to a Participant:
- (1) the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;

- (2) the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;
 - (3) 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;
 - (4) the Participant is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 - (5) the Participant is prohibited from participating in share incentives of listed companies pursuant to the laws and regulations;
 - (6) other circumstances as determined by the CSRC.
- X. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Incentive Scheme.
- XI. All Participants undertake that, if there are false representations, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting or exercising the entitlements, the Participants concerned shall return all the benefits obtained from the Incentive Scheme to the Company after the existence of false representations, misleading statements or material omissions in relevant information disclosure documents is confirmed.
- XII. The Incentive Scheme shall only be implemented after consideration and approval at the general meeting, the A share class meeting and the H share class meeting of the Company.
- XIII. The Company shall convene the board meeting according to the relevant requirements to proceed with the grant to the Participants and complete the registration, announcement and other procedures within 60 days from the date on which the Incentive Scheme is considered and approved at the general meeting, the A share class meeting and the H share class meeting. 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; provided that in accordance with the Administrative Measures and the Hong Kong Listing Rules, the period during which no equity shall be granted shall not be included in the 60 days.
- XIV. The implementation of the Incentive Scheme will not result in the shareholding structure of the Company to fail to meet the listing requirements.

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CHAPTER 1 DEFINITIONS

The following expressions have the meanings set out below unless the context requires otherwise:

Hisense Home Appliances, the Company, or the Listed Company	means	Hisense Home Appliances Group Co., Ltd. (including its controlled subsidiaries)
The Incentive Scheme, this Incentive Scheme or the Scheme	means	The 2022 Restricted A Share Incentive Scheme (Draft) of the Company
Restricted Shares	means	The Company grants Participants a specific number of its A shares according to predetermined conditions. Participants may sell and gain profits by selling the Restricted Shares only if they meet the requirements of the Incentive Scheme in terms of length of service and performance targets
Participants	means	The mid-level management and key staff of the Company (including its subsidiaries) who receive the Restricted Shares in accordance with the provisions of the Incentive Scheme
Grant Date	means	The date on which the Company shall grant the Restricted Shares to the Participants, which must be a trading day
Validity Period	means	Commencing on the date of the completion of the registration of the grant of the Restricted Shares and ending on the date when all the Restricted Shares are unlocked or repurchased and cancelled
Lock-up Period	means	The period during which the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debts
Unlocking Period	means	The period during which the Restricted Shares held by the Participants are unlocked and can be transferred upon the fulfillment of the unlocking conditions as stipulated in the Incentive Scheme

APPENDIX I**THE 2022 RESTRICTED A SHARE
INCENTIVE SCHEME (DRAFT)**

Unlocking Date	means	The date on which the Restricted Shares held by the Participants can be unlocked upon the fulfillment of the unlocking conditions as stipulated in the Incentive Scheme
Grant Price	means	The price of each Restricted Share granted by the Company to the Participants
Company Law	means	The Company Law of the People's Republic of China
Securities Law	means	The Securities Law of the People's Republic of China
Administrative Measures	means	The Administrative Measures on Share Incentives of Listed Companies
Self-regulatory Guidelines No. 1	means	Self-Regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Business Handling
Hong Kong Listing Rules	means	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	means	The Articles of Association of Hisense Home Appliances Group Co., Ltd.
CSRC	means	China Securities Regulatory Commission
SFC	means	The Securities and Futures Commission of Hong Kong
Hong Kong Stock Exchange	means	The Stock Exchange of Hong Kong Limited
Stock Exchanges	means	Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange
RMB	means	Renminbi

Notes:

1. Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data prepared on a consolidation basis and the financial indicators calculated based on such financial data, respectively.
2. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

CHAPTER 2 PURPOSE AND PRINCIPLES OF THE INCENTIVE SCHEME

For the purpose of further establishing and improving the Company's long-term incentive mechanism, attracting and retaining excellent talents, fully mobilizing the enthusiasm of the mid-level management and key staff of the Company, effectively aligning the interests of the shareholders, the Company and individuals of the core team to focus on the long-term development of the Company, and under the premise of fully safeguarding the interests of the shareholders and following the principle of matching income and contribution, the Company formulated the Incentive Scheme in accordance with relevant laws, regulations and regulatory documents including the Company Law, the Securities Law, the Administrative Measures, the Self-regulatory Guidelines No. 1 and the Hong Kong Listing Rules as well as the Articles of Association.

CHAPTER 3 ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, amendment and termination of the Incentive Scheme. The general meeting may, within its powers and authority, authorize the board of directors to handle certain matters relating to the Incentive Scheme.
- II. The board of directors shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. The remuneration and appraisal committee under the board of directors shall be responsible for drafting and revising the Incentive Scheme, and submitting the Incentive Scheme to the board of directors for review and approval. Upon approval by the board of directors, the Incentive Scheme shall be further submitted to the general meeting, the A share class meeting and the H share class meeting of the Company for review and approval, and the board of directors may handle matters relating to the Incentive Scheme within its scope of authority as authorised by the general meeting.

- III. The supervisory committee and the independent directors shall act as the supervisory authority for the Incentive Scheme, and shall express opinions as to whether the Incentive Scheme is 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 supervisory committee shall supervise the implementation of the Incentive Scheme as to whether it is in compliance with the relevant laws, regulations, regulatory documents and operational rules of the Stock Exchanges, and shall verify the list of the Participants under the Incentive Scheme. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Incentive Scheme.

Where amendments are being made to the Incentive Scheme before the Incentive Scheme is approved at the general meeting, the independent directors and the supervisory committee shall express clear opinions as to whether the amended Incentive 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 independent directors and the supervisory committee shall express clear opinions on the conditions of a grant to the Participant as stipulated in the Incentive Scheme before the Company makes a grant of shares to such Participant. In the event of any discrepancy between the grant of shares to a Participant and the arrangement under the Incentive Scheme, the independent directors and the supervisory committee (where there are changes occurred to the Participants) shall both express their clear opinions thereon.

Before the exercise of entitlements by a Participant, the independent directors and the supervisory committee shall issue clear opinions as to whether the conditions stipulated in the Incentive Scheme for the Participant to exercise such entitlements have been fulfilled.

CHAPTER 4 BASIS FOR DETERMINING THE PARTICIPANTS AND THE SCOPE OF PARTICIPANTS

I. Basis for Determining the Participants

(i) Legal Basis for Determining the Participants

The Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Self-regulatory Guidelines No. 1 and other relevant laws, regulations and regulatory documents, as well as the provisions of the Articles of Association with reference to the actual situations of the Company.

(ii) Position Basis for Determining the Participants

The Participants under the Incentive Scheme shall be the mid-level management and key staff who serve the Company (including its subsidiaries, the same applies below)(excluding the independent directors, supervisors, shareholders individually or in aggregate holding more than 5% of the shares of the Company or the de facto controllers and their spouses, parents or children).

The list of persons who fall within the scope of Participants under the Incentive Scheme shall be drawn up by the remuneration and appraisal committee under the board of directors of the Company, and verified by the supervisory committee of the Company.

II. Scope of Participants

- (i) 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 entered into labor 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.

- (ii) 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.

- (iii) The Participants under the Incentive Scheme do not include the independent directors, supervisors, shareholders individually or in aggregate holding more than 5% of the shares of the Company or the de facto controllers and their spouses, parents or children. None of the following circumstances, in which a Participant of the Incentive Scheme becomes unqualified to be a Participant, has occurred to a Participant:

1. the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;
2. the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;

3. 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;
4. the Participant is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
5. the Participant is prohibited from participating in share incentives of listed companies pursuant to laws and regulations;
6. other circumstances as determined by the CSRC.

In the event of any change in the requirements of laws, regulations or relevant regulatory authorities on the scope of the Participants, the board of directors of the Company may, subject to the authorization of the shareholders in a general meeting, adjust the relevant contents of the Incentive Scheme.

III. Verification of Participants

- (i) After the Incentive Scheme is reviewed and approved by the board of directors, the Company shall internally publish the names and the positions of the Participants for a period of not less than 10 days.
- (ii) The supervisory committee of the Company shall review the list of the Participants and thoroughly consider opinions from the public. The Company shall disclose the opinions of the supervisory committee on the review and the public opinions in relation to the list of the Participants 5 days before the general meeting, and A share class meeting and the H share class meeting. Any adjustments to the lists of the Participants made by the board of directors of the Company shall also be subject to the verification by the supervisory committee of the Company.

CHAPTER 5 SOURCE, AMOUNT AND ALLOCATION OF RESTRICTED SHARES OF THE INCENTIVE SCHEME

I. The Form of Incentive and Source of Shares under the Incentive Scheme

The form of incentive adopted by the Incentive Scheme is Restricted Shares. The source of the underlying shares shall be ordinary A Shares of the Company to be issued to the Participants through directed offering by the Company.

II. 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 the announcement of the Incentive Scheme.

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 within their Validity Period 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 of the Company in issue as at the date of the approval of the Incentive Scheme on the date of the general meeting, the A share class meeting and the H share class meeting. 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 of the Company.

In the event of any capitalization of capital reserve, bonus issue, sub-division of shares or consolidation of shares or rights issue of the Company during the period from the date of announcement of the Incentive Scheme to the date of completion of the registration of Restricted Shares by the Participants, the number of Restricted Shares granted shall be adjusted in accordance with the Incentive Scheme accordingly.

III. Allocation of the Restricted Shares among the Participants

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

Name	Position	Number of Restricted Shares granted ('000 shares)	Percentage to	Percentage to
			the total number of Restricted Shares granted	the total share capital of the Company as at the date of announcement of the Incentive Scheme
Mid-level management and key staff (596 Participants)		29,618.00	100.00%	2.17%
Total		29,618.00	100.00%	2.17%

Notes:

1. The total number of the shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period does not exceed 1% of the total share capital of the Company as of the date of announcement of the Incentive Scheme (draft). The total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period does not exceed 10% of the Company's total share capital as of the date on which the Incentive Scheme Proposal is announced. During the 12-month period up to and including the date of the grant of shares of the Company under this Incentive Scheme, the cumulative total number of shares of the Company granted under this Incentive Scheme and granted or to be granted pursuant to other incentive schemes (excluding any interests that have lapsed under any scheme) to any of the above Participants does not exceed 1% of the total ordinary A shares 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 of the Company in issue as at the date of the approval of the Incentive Scheme on the date of the general meeting, the A share class meeting and the H share class meeting. If a Participant, due to personal reasons, voluntarily waives the Restricted Shares which have been granted to him/her, the board of directors shall adjust the number of the Restricted Shares to be granted accordingly. When the Participants subscribe for Restricted Shares, the amount of the Restricted Shares may be reduced accordingly due to insufficient funds.
2. The Participants under the Incentive Scheme included expatriate employees, but do not include the independent directors, supervisors, shareholders individually or in aggregate holding more than 5% of the shares of the Company or the de facto controllers and their spouses, parents or children.
3. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

**CHAPTER 6 VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIOD,
UNLOCKING ARRANGEMENT AND BLACK-OUT PERIOD****I. Validity Period of the Incentive Scheme**

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.

II. Grant Date of the Incentive Scheme

The Grant Date shall be determined by the board of directors after the Incentive Scheme is considered and approved at the general meeting, the A share class meeting and the H share class meeting of the Company, 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 general meeting, the A share class meeting and the H share class meeting. 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.

1. 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;
2. 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;
3. Within 10 days prior to the announcement of quarterly report, results forecast and preliminary results of the Company;
4. After inside information has come to the knowledge of the Company until (and including) the trading day after it has announced the information;

5. 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;
6. 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;
7. 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.

If there are new provisions in the relevant laws, administrative regulations or departmental rules regarding the period in which the Company is prohibited from granting the Restricted Shares, the new relevant provisions shall prevail.

III. Lock-up Period under the Incentive Scheme

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 capitalization 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.

The Lock-up Period of the Restricted Shares under the Incentive Scheme is based on reasonable expectations of the Company's strategic planning, long-term business objectives, staff motivation needs and shareholders' interests, and is reasonable and scientific in accordance with the relevant provisions in the Administrative Measures.

IV. Unlocking Arrangement under the Incentive Scheme

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 not fulfilling the unlocking conditions during the periods stipulated above and not yet unlocked 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.

V. Black-out Period under the Incentive Scheme

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:

- (i) 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 of the Company held by him/her and the shares held by him/her shall not be transferred within six months after he/she leaves office.
- (ii) Where a Participant is a director or a member of the senior management of the Company and he/she disposes of any shares of the Company within six months after 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 of directors shall forfeit such gains.
- (iii) 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 of the Company held by such Participants shall comply with the amended requirements at the time of transfer.

CHAPTER 7 GRANT PRICE OF THE RESTRICTED SHARES AND ITS DETERMINATION

I. 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.

II. Basis of determination of the Grant Price of the Restricted Shares

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

- (i) the average trading price of the shares of the Company for the last trading day preceding the date of the announcement of the Incentive Scheme (total trading amount for the last trading day/total trading volume for the last trading day) of RMB13.28 per share;
- (ii) the average trading price of the shares of the Company for the last 60 trading days preceding the date of the announcement of the Incentive Scheme (total trading amount of the shares of the Company for the last 60 trading days/total trading volume of the shares of the Company for the last 60 trading days) of RMB12.07 per share.

III. Pricing Basis

The Incentive Scheme is an important means to attract and retain core talents, motivate employees and maintain the competitiveness of the Company. The stability and sustainable development of a company is a process full of risks and challenges, and requires core talents as the backbone to continuously support the normal operation and development of the Company. The Incentive Scheme aims to enhance the motivation and loyalty of core employees, and to establish a long-term compensation incentive system for core talents, so as to link the income of employees with the long-term performance of the Company. Based on the principle of matching incentives and constraints, the Company has set up challenging performance appraisal indicators and also set up performance appraisal for individuals, effectively binding the interests of the Company, shareholders and employees together.

In light of the Company's operating conditions and market environment, the Incentive Scheme is required to provide reasonable incentive to the Participants at a reasonable cost. On the basis of the principle of not harming the interests of the Company and having due consideration of the effectiveness of the incentive, the price of the Shares to be granted to the employees is RMB6.64 per share under the Incentive Scheme, which has taken into account the effectiveness of the incentive and the interests of the shareholders of the Listed Company. Such price is reasonable and conducive to the sustainable development of the Listed Company, and complies with the basic principle of "undertaking own risks for gains or losses, and the equity rights ranking pari passu with those of other investors".

**CHAPTER 8 CONDITIONS OF THE GRANT AND UNLOCKING
CONDITIONS OF THE RESTRICTED SHARES****I. 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.

- (i) None of the followings occurred to the Company:
 - 1. 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;
 - 2. 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;
 - 3. 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;

4. the implementation of share incentives is prohibited by laws and regulations;
 5. other circumstances as determined by the CSRC.
- (ii) None of the followings occurred to the Participants:
1. the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;
 2. the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;
 3. 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;
 4. the Participant is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 5. the Participant is prohibited from participating in share incentives of listed companies pursuant to the laws and regulations;
 6. other circumstances as determined by the CSRC.

II. Unlocking Conditions of the Restricted Shares

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

- (i) None of the followings occurred to the Company:
1. 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;
 2. 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;
 3. 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;
 4. the implementation of share incentives is prohibited by laws and regulations;
 5. other circumstances as determined by the CSRC.

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

1. the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;
2. the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;
3. 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;
4. the Participant is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
5. the Participant is prohibited from participating in share incentives of listed companies pursuant to the laws and regulations;
6. other circumstances as determined by the CSRC.

Where any of the circumstances stipulated in (i) 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 (ii) 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.

(iii) 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%

Unlocking Period	Appraisal indicator for the appraisal year	Growth rate of net profit (A)	
		Target value (Am)	Trigger value (An)
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 shareholders of the Listed Company, 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.

(iv) 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 share amount 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.

III. 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.

CHAPTER 9 METHODS AND PROCEDURE FOR ADJUSTMENT OF THE RESTRICTED SHARES INCENTIVE SCHEME

I. Adjustment Methods of the Amount of the Restricted Shares

In the event of any capitalization 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 the announcement of the Incentive Scheme (draft) to the completion of registration of the Restricted Shares by the Participants, the number of the Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

(i) Capitalization of capital reserve, bonus issue, share subdivision

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

Where: Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of increase per share resulting from capitalization of capital reserve, bonus issue and sub-division of shares (that is, the number of increased share(s) per share upon conversion, bonus issue or subdivision of shares); Q represents the adjusted number of the Restricted Shares.

(ii) Rights issue

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

Where: Q_0 represents the number of the Restricted Shares before the adjustment; P_1 represents the closing price as of the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (that is, the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the adjusted number of the Restricted Shares.

(iii) Consolidation of shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of consolidation of shares (that is, one share shall be consolidated into n shares); Q represents the adjusted number of the Restricted Shares.

(iv) Dividend distribution and new issue

In the event of dividend distribution or issue of new shares by the Company, the number of the Restricted Shares will not be adjusted.

II. Adjustment Methods of the Grant Price of the Restricted Shares

In the event of any capitalization of capital reserve, bonus issue, sub-division of shares, rights issue, consolidation of shares or dividend distribution of the Company during the period from the date of announcement of the Incentive Scheme (draft) to the completion of registration of the Restricted Shares by the Participants, the Grant Price shall be adjusted accordingly. The adjustment methods are as follows:

(i) Capitalization of capital reserve, bonus issue, share subdivision

$$P = P_0 \div (1+n)$$

Where: P_0 represents the Grant Price prior to the adjustment; n represents the ratio of increase per share resulting from the capitalization of capital reserve, bonus issue or share subdivision; and P represents the Grant Price after the adjustment.

(ii) Rights issue

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

Where: P_0 represents the Grant Price prior to the adjustment; P_1 represents the closing price of the Restricted Shares as of the record date; P_2 represents the subscription price in respect of the rights issue; n represents the ratio of the rights issue (that is, the number of shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); P represents the Grant Price after the adjustment.

(iii) Consolidation of shares

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price prior to the adjustment; n represents the ratio of consolidation of shares; P represents the Grant Price after the adjustment.

(iv) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price prior to the adjustment; V represents the dividend per share; and P represents the Grant Price after the adjustment. After the adjustment of dividend distribution, P shall still be greater than 1.

(v) New Issue

In the event of issue of new shares by the Company, the Grant Price of the Restricted Shares will not be adjusted.

III. Adjustment Procedures of the Restricted Share Incentive Scheme

If any of the foregoing events occurs, the board of directors of the Company shall resolve to approve to adjust the number and/or the Grant Price of the Restricted Shares. The Company shall engage legal advisers to provide professional opinions to the board of directors on whether the above adjustments comply with the requirements under the Administrative Measures, the Articles of Association and the Incentive Scheme. After the resolutions considered and approved at the meeting of board of directors, the Company shall timely announce the resolutions of the board of directors, and publish the opinions of the law firm at the same time.

CHAPTER 10 ACCOUNTING TREATMENT OF THE RESTRICTED SHARES

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.

I. Accounting Treatment**1. 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.

2. 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.

3. 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.

4. 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 of the Company – the Grant Price, which is RMB6.53 per share.

II. 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 Restricted Share 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:

Number of Restricted Shares (<i>'000</i>)	Total expenses subject to amortisation (<i>RMB'000</i>)	2023 (<i>RMB'000</i>)	2024 (<i>RMB'000</i>)	2025 (<i>RMB'000</i>)	2026 (<i>RMB'000</i>)
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 Restricted Share 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.

**CHAPTER 11 PROCEDURES FOR IMPLEMENTING THE
RESTRICTED SHARE INCENTIVE SCHEME**

I. Procedures for the Restricted Share Incentive Scheme to Take Effect

- (i) The remuneration and appraisal committee under the board of directors of the Company is responsible for drafting the Incentive Scheme.
- (ii) The board of directors of the Company shall resolve on the Incentive Scheme lawfully. When the board of directors is considering the Incentive Scheme, the directors who are proposed to be Participants or who are associated with the Scheme shall abstain from voting. After approving the Incentive Scheme and completing the announcement and publication procedures, the board of directors

shall submit the Incentive Scheme to the general meeting, the A share class meeting and the H share class meeting for consideration; meanwhile, the board of directors shall propose to the general meeting, the A share class meeting and the H share class meeting to authorize it to grant, adjust, unlock, repurchase and cancel the Restricted Shares.

- (iii) Independent directors and the supervisory committee shall express opinions as to whether the Incentive Scheme is 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 Company will engage an independent financial adviser to issue professional opinions on whether the Incentive Scheme is feasible, whether it is conducive to the sustainable development of the Company, and whether it will impair the interests of the Company and its shareholders.
- (iv) The Company shall internally publish the names and the positions of the Participants before the general meeting, the A share class meeting and the H share class meeting are convened through its website or other channels for a period of no less than 10 days. The supervisory committee shall review the list of Participants and thoroughly consider opinions from the public. The Company shall disclose the information regarding the review by the supervisory committee and the public opinions in relation to the list of Participants 5 days prior to the consideration of the Incentive Scheme at the general meeting, the A share class meeting and the H share class meeting. The Company shall carry out self-investigation on the trading of shares and derivatives of the Company by individuals in possession of inside information within 6 months prior to the announcement of the Incentive Scheme (draft).
- (v) The Incentive Scheme can only be implemented after being considered and adopted at the general meeting, the A share class meeting and the H share class meeting of the Company. When the general meeting, the A share class meeting and the H share class meeting of the Company are convened to vote on the Incentive Scheme, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Scheme. At the general meeting, the A share class meeting and the H share class meeting, it is required to vote on the content of the Share Incentive Scheme under Article 9 of the Administrative Measures, and the Incentive Scheme shall be passed by more than 2/3 of the voting rights held by the shareholders present at the meeting. Except for the directors, supervisors and senior management of the Company, as well as the shareholders individually or in aggregate holding more than 5% of the Company's shares, the voting by other shareholders shall be separately counted and disclosed. When the Incentive Scheme is considered at the Company's general meeting, the A share class meeting and the H share class meeting, shareholders who are Participants or shareholders who are connected with the Participants shall abstain from voting thereon.

- (vi) After the Incentive Scheme has been considered and approved at the general meeting, the A share class meeting and the H share class meeting of the Company, upon the conditions for grant are satisfied under the Incentive Scheme, the Company shall grant the Restricted Shares to the Participants within specified time. The board of directors shall exercise the grant, adjustment, unlocking, repurchase and cancellation, among other matters, in relation to the Restricted Shares, according to the authorisation of the general meeting, the A share class meeting and the H share class meeting.

II. Procedures for the Grant of the Restricted Shares

- (i) Upon consideration and approval of the Incentive Scheme at the general meeting, the A share class meeting and the H share class meeting, the Company shall sign the 2022 Restricted A Share Grant Agreement with the Participants in order to define their respective rights and obligations.
- (ii) The board of directors shall consider and announce whether the conditions of a grant to a Participant as set out in the Share Incentive Scheme have been satisfied before the Company makes a grant of share to such Participant. The independent directors and the supervisory committee shall both express their clear opinions. The law firm shall issue legal opinions on whether the conditions for the grant of shares to the Participants are fulfilled or not.
- (iii) The supervisory committee of the Company shall verify the list of the Participants on the Grant Dates and issue their views on such verification.
- (iv) If there is any discrepancy between the grant of the shares to the Participants and the arrangement of the Share Incentive Scheme, the independent directors, the supervisory committee (in case of change of the Participants), the law firm and the independent financial adviser shall all express their clear opinions.
- (v) The Company shall make the grant of the Restricted Shares to the Participants and complete the announcement and registration procedures within 60 days after the Share Incentive Scheme is considered and approved at the general meeting, the A share class meeting and the H share class meeting. The board of directors of the Company shall disclose the implementation status of the Restricted Shares granted by way of announcement in a timely manner after the registration of the grant is completed. In the event the Company fails to complete the procedures mentioned above within such 60 days, the board of directors shall timely disclose the reasons for the failure and declare the termination of the Incentive Scheme, and shall not be allowed to consider any share incentive scheme within three months from the date of the announcement (the period in which listed companies are not allowed to grant equity in accordance with the Administrative Measures and Hong Kong Listing Rules shall not be included in such 60 days).

- (vi) Where the Company's directors and senior management, being Participants, have reduced their shareholding in the Company within 6 months before the grant of the Restricted Shares and there is no trading with inside information after inspection, the Company may postpone the grant of the Restricted Shares to them until 6 months after the date of the last shareholding reduction transaction with reference to the provisions of short-swing trading in the Securities Law.
- (vii) Before the granting of the Restricted Shares, the Company shall apply to the Stock Exchanges. Upon confirmation by the Stock Exchanges, the securities depository and clearing institution will handle the relevant registration and clearing matters.

III. Procedures for Unlocking of the Restricted Shares

- (i) The Company shall confirm whether the Participants satisfy the unlocking conditions before the unlocking date. The board of directors shall consider whether the unlocking conditions as set out in the Incentive Scheme have been satisfied. The independent directors and the supervisory committee shall both express their clear opinions. The law firm shall issue legal opinions on whether the conditions for the unlocking by the Participants are fulfilled or not. For the Participants who satisfy the unlocking conditions, the Company shall handle the matters in relation to the unlocking, and for the Participants who fail to satisfy the unlocking conditions, the Company will repurchase and cancel the Restricted Shares held by them corresponding to that unlocking. The Company shall disclose the implementation thereof timely by way of announcement.
- (ii) A Participant may transfer the unlocked Restricted Shares, but the transfer of shares held by the directors and senior management of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.
- (iii) Before the unlocking of the Restricted Shares of the Participants, the Company shall apply to the Stock Exchanges. Upon confirmation by the Stock Exchanges, the securities depository and clearing institution will handle the relevant registration and clearing matters.

IV. Procedures for the Amendment and Termination of the Incentive Scheme

- (i) If the Company intends to amend the Incentive Scheme before it is considered at the general meeting, the A share class meeting and the H share class meeting, such amendment shall be considered and approved by the board of directors.
- (ii) If the Company intends to amend the Incentive Scheme after it has been considered and approved at the general meeting, the A share class meeting and the H share class meeting, such amendment shall be considered and determined at the general meeting, the A share class meeting and the H share class meeting, and the amendment shall not include the following circumstances:

1. leading to an early unlocking;
2. 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 Listed Company and whether there are any situations that clearly harm the interests of the Listed 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 Listed Company and all shareholders.

- (iii) Where the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the general meeting, the A share class meeting and the H share class meeting, the termination shall be considered and approved by the board of directors.
- (iv) Where the Company terminates the Incentive Scheme after the Incentive Scheme is considered and approved at the general meeting, the A share class meeting and the H share class meeting, the termination shall be considered and approved at the general meeting, the A share class meeting and the H share class meeting.

CHAPTER 12 RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY/PARTICIPANTS

I. Rights and Obligations of the Company

- (i) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Participants based on the requirements under the Incentive Scheme. If a Participant fails to fulfill the unlocking conditions required under the Incentive Scheme, the Company will repurchase and cancel the Restricted Shares which have not been unlocked by the Participants, in accordance with the principles under the Incentive Scheme.
- (ii) The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Incentive Scheme.
- (iii) The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under this Incentive Scheme in accordance with the relevant requirements.
- (iv) The Company shall actively support the Participants who have fulfilled the unlocking conditions to unlock the Restricted Shares in accordance with the relevant requirements including those of this Incentive Scheme, the CSRC, the

Stock Exchanges, China Securities Depository and Clearing Corporation Limited. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons caused by the CSRC, the Stock Exchanges, and China Securities Depository and Clearing Corporation Limited.

- (v) The Company's confirmation of the eligibility of the Participants under the Incentive Scheme does not represent the right of such Participants to continue to serve the Company and does not constitute a commitment of employment for a fixed term by the Company. The employment relationship between the Company and the Participants is still governed by the labor contracts or employment agreement between the parties.
- (vi) If the Participant violates the laws and professional ethics, divulges company secrets, and neglects his/her duty or malfeasance or has other acts that seriously damage the Company's interests or reputation, upon consideration of the remuneration and appraisal committee under the board of directors and approval by the board of directors, the Company may repurchase and cancel the Restricted Shares of such a Participant which have not been unlocked and demand the Participant to return all gains arising from any unlocked Restricted Shares. If the circumstances are serious, the Company may also seek compensation for the losses incurred in accordance with the provisions of relevant laws.
- (vii) Other relevant rights and obligations as stipulated under the laws and regulations.

II. Rights and Obligations of the Participants

- (i) A participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (ii) Source of funds of the Participants shall be self-raised funds of the Participants.
- (iii) The Restricted shares granted to the Participants shall not be transferred, pledged or used for repayment of debts before the unlocking of such Restricted Shares. Prior to unlocking, the Restricted Shares do not carry any voting rights or right to participate in the distribution of bonus shares or share dividends.
- (iv) The income received by the Participants as a result of the Incentive Scheme shall be subject to individual income tax and other taxes in accordance with national tax regulations.
- (v) The Participants undertake, where false representations or misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting or exercising the entitlements, the Participants concerned shall return all the benefits obtained from

the Incentive Scheme to the Company after the existence of false representations, misleading statements or material omissions in relevant information disclosure documents is confirmed.

- (vi) Upon consideration and approval of the Incentive Scheme at the general meeting of the Company, the Company will sign the 2022 Restricted A Share Grant Agreement with each Participant in order to define their respective rights and obligations under the Incentive Scheme and other relevant matters.
- (vii) Other relevant rights and obligations as stipulated under the laws and regulations and the Incentive Scheme.

CHAPTER 13 HANDLING OF UNUSUAL CHANGES TO THE COMPANY/PARTICIPANTS

I. Handling of Unusual Changes to the Company

- (i) Upon occurrence of any one of the following circumstances to the Company, the Incentive Scheme shall be terminated and the Restricted Shares granted to the Participants but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company:
 - 1. 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;
 - 2. 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;
 - 3. 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;
 - 4. the implementation of share incentives is prohibited by laws and regulations;
 - 5. other circumstances that require the termination of the incentive scheme as determined by the CSRC.
- (ii) The Incentive Scheme shall remain unchanged in the event that any of the following events occurs to the Company:
 - 1. change in control of the Company;
 - 2. merger and spin-off of the Company.

- (iii) Where there are false representations or misleading statements contained in, or material omissions from the disclosure documents of the Company and as a result of which the conditions of grant or arrangements for unlocking are not met, the Restricted Shares granted to Participants but not yet unlocked shall be repurchased and cancelled by the Company on a unified basis. In respect of the Restricted Shares granted to the Participants which have been unlocked, all Participants concerned shall return to the Company all entitlements granted. If a Participant who is not responsible for the above matters suffers from losses due to the return of entitlements, such Participant may recover such losses from the Company or the responsible targets in accordance with relevant arrangements under the Incentive Scheme.

The board of directors shall recover the profits gained by the Participants in accordance with the aforesaid provisions and the relevant arrangements under the Incentive Scheme.

II. Change in Personal Circumstances of the Participants

- (i) When the position of a Participant changes (not quitting from the original position/demotion), but such a Participant remains to work in the Company or its subsidiaries, the procedures in relation to the Restricted Shares granted to the Participant shall be carried out in accordance with the procedures stipulated in the Incentive Scheme before the change in the position.
- (ii) When a Participant is demoted due to personal reasons but such a Participant remains to work in the Company or its subsidiaries, and meets the eligibility requirements of Participants, the Restricted Shares granted to such Participant but not yet unlocked shall be reduced and the entitlement shall be determined based on the new position. The reduced portion shall be repurchased by the Company in accordance with the Grant Price and cancelled. If a Participant no longer meets the eligibility requirements of Participants, the Restricted Shares granted to him/her but not yet unlocked shall not be unlocked and shall be repurchased in accordance with the Grant Price and cancelled by the Company.
- (iii) When a Participant quits from the original position due to organizational reasons (“quitting from the original position” means a Participant leaves his/her current job to take up a position as a consultant, expert, teacher, etc., where his/her experience and expertise can be utilized, the same applies below), the procedures in relation to the Restricted Shares granted to the Participant shall be carried out in accordance with the procedures stipulated in the Incentive Scheme before the change in the position. When a Participant quits from the original position due to personal reasons, the Restricted Shares granted to him/her but not yet unlocked shall not be unlocked and shall be repurchased in accordance with the Grant Price and cancelled by the Company.

- (iv) If the employment relationship of a Participant with the Company or its subsidiaries is terminated for objective reasons such as retirement, death or loss of civil capacity, the unlocking for the Participant shall be made according to the original time and conditions during the most recent Unlocking Period, and the unlocking proportion shall be determined based on his/her period of service in the corresponding performance year. The remaining Restricted Shares of the Participant which do not comply with the unlocking time restriction and the performance appraisal conditions shall not be unlocked, and shall be repurchased and cancelled by the Company at the Grant Price plus the interest on bank deposits for the same period. The Participant or his/her legal successor shall pay the individual income tax and other taxes on the unlocked portion of the Restricted Shares prior to completing or completing on behalf of the Participant the resignation procedures.
- (v) Where a Participant loses eligibility to participate in the Incentive Scheme due to the occurrence of one of the following circumstances, the Restricted Shares granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased in accordance with the Grant Price and cancelled by the Company:
1. the Participant has been determined as an inappropriate candidate by the Stock Exchanges within the last 12 months;
 2. the Participant has been determined as an inappropriate candidate by the CSRC and its delegated agencies within the last 12 months;
 3. 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;
 4. the Participant is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 5. the Participant is prohibited from participating in share incentives of listed companies pursuant to laws and regulations;
 6. other circumstances as determined by the CSRC.
- (vi) If a Participant is not eligible for incentive as he/she will leave the Company because of personal reasons such as resignation, layoff, expiration of the labor contract or termination of labour contract upon mutual agreement (provided that there is no circumstances as described in (iv) above), the Restricted Shares granted to the Participants but not yet unlocked shall not be unlocked and shall be repurchased in accordance with the Grant Price and cancelled by the Company. The individual income tax and other taxes on the unlocked portion of the Restricted Shares shall be paid before the resignation of the Participants.

- (vii) If a Participant causes losses to the Company or its subsidiaries due to illegal and disciplinary offences, the Restricted Shares granted to the Participants but not yet unlocked shall not be unlocked and shall be repurchased in accordance with the Grant Price and cancelled by the Company. The Company has the right to claim from the Participants the portion of the cash proceeds realized by him/her under the Incentive Scheme. The individual income tax and other taxes on the unlocked portion of the Restricted Shares shall be paid before the resignation of the Participants.
- (viii) If a Participant causes serious losses to the Company or its subsidiaries due to major work problems such as violation of non-competition restrictions after leaving office, the Company has the right to request the Participants to return all the proceeds gained by him/her under the Incentive Scheme.
- (ix) Other circumstances not specified herein shall be identified by the board of directors which shall determine how such matters are to be dealt with.

III. Settlement of Disputes between the Company and the Participants

Any dispute or controversy arising out of the implementation of the Incentive Scheme and/or the 2022 Restricted A Share Grant Agreement signed by the Company and the Participants shall be settled by negotiation and communication between the parties or through mediation conducted by the remuneration and appraisal committee under the board of directors of the Company. If the parties fail to settle the relevant disputes or controversies or such disputes or controversies fail to be settled through the above-mentioned methods within 60 days from the date of occurrence of the disputes or controversies, either party is entitled to file a lawsuit with the People's Court with jurisdiction in the place where the Company is located for settlement.

CHAPTER 14 SUPPLEMENTARY PROVISIONS

- I. The Incentive Scheme shall become effective after being considered and approved at the general meeting, the A share class meeting and the H share class meeting of the Company.
- II. The board of directors of the Company shall be responsible for the interpretation of the Incentive Scheme.

Board of Directors of Hisense Home Appliances Group Co., Ltd.

30 December 2022

In order to further establish and improve the long-term incentive mechanism of Hisense Home Appliances Group Co., Ltd. (the “**Company**”), attract and retain outstanding employees, fully motivate the management and core employees of the Company, effectively align the interests of the shareholders, the Company and the key individuals of the core team, and bring their attention to the Company’s long-term development, under the premise of fully safeguarding the interests of the shareholders, the 2022 Restricted A Share Incentive Scheme (Draft) of Hisense Home Appliances Group Co., Ltd. (the “**Incentive Scheme**”) is formulated, which follows the principle that benefit is equivalent to contribution, and in accordance with provisions of the relevant laws, regulations and regulatory documents, including the Company Law of the People’s Republic of China (the “**Company Law**”), the Securities Law of the People’s Republic of China (the “**Securities Law**”), the Administrative Measures on Share Incentives of Listed Companies (the “**Administrative Measures**”), the Self-regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Business Handling (“**Self-regulatory Guidelines No. 1**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) as well as the Articles of Association of Hisense Home Appliances Group Co., Ltd. (the “**Articles of Association**”).

In order to ensure the smooth implementation of the Incentive Scheme, these Measures are formulated in accordance with the provisions of the relevant laws, regulations and regulatory documents such as the Company Law, the Securities Law, the Administrative Measures, the Self-regulatory Guidelines No. 1 and the Hong Kong Listing Rules as well as relevant provisions of the Articles of Association and the Incentive Scheme, and taking into account the actual situation of the Company.

I. PURPOSES OF THE APPRAISAL

The purpose is to further improve the corporate governance structure of the Company, establish and improve the incentive and constraint mechanism of the Company, ensure the smooth implementation of the Incentive Scheme, and maximize the effect of the Incentive Scheme, in order to ensure the successful implementation of the development strategy and the achievement of the business objectives of the Company.

II. PRINCIPLES OF THE APPRAISAL

The appraisal must adhere to the principles of justice, openness and fairness, and be carried out strictly in accordance with these Measures and the performance of the appraisal targets, so as to achieve the close integration between the Incentive Scheme and the work performance and contribution of the participants of the Incentive Scheme, and to enhance the overall performance of the Company and maximize the interests of the Company and all shareholders.

III. SCOPE OF THE APPRAISAL

These Measures apply to all participants participating in the Incentive Scheme.

IV. THE APPRAISAL ORGANS

The remuneration and appraisal committee of the board of directors of the Company is responsible for leading and organizing the appraisal as well as conducting the appraisal of the participants of the Incentive Scheme.

V. APPRAISAL INDICATORS AND REQUIREMENTS

(1) Performance Appraisal Requirements at Company Level

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:

- The above "net profit" indicators are calculated based on the audited net profit attributable to shareholders of the Listed Company, 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.
- 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.

(2) 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 grading	S	A	B	C	D
Unlocking ratio at employee level		100%		70%	0

The actual unlocking amount of the individual participants of the Incentive Scheme 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 of the Incentive Scheme 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.

VI. APPRAISAL PERIOD AND FREQUENCY

(1) Appraisal Period

The appraisal years under the Incentive Scheme are the three accounting years from 2023 to 2025 at the Company level, and the appraisal years for the individual participants are the same as those at the Company level.

(2) Appraisal Frequency

Annual appraisal is implemented and a comprehensive appraisal is organized once every accounting year.

VII. APPRAISAL PROCEDURES

Under the guidance of the remuneration and appraisal committee, the human resources department of the Company is responsible for the specific appraisal work and keeping the appraisal results, and the appraisal reports are prepared on this basis for the submission to the remuneration and appraisal committee.

VIII. APPRAISAL RESULTS MANAGEMENT**(1) Feedback and appeal of the appraisal results**

1. The appraisees shall have the right to know their appraisal results. The remuneration and appraisal committee shall notify the appraisees of the appraisal results within 5 working days after the completion of the appraisal.
2. If the appraisees have objections to their own appraisal results, they may appeal to the remuneration and appraisal committee within 5 working days of receiving the notice of the appraisal results, and the remuneration and appraisal committee shall review their appraisal results according to the actual situation and make amendment to the appraisal results according to the review results.
3. The results of the performance appraisal shall be used as the basis for unlocking the restricted shares.

(2) Archiving of the appraisal results

1. After the completion of the appraisal, the human resources department shall keep all appraisal records.
2. In order to ensure the validity of the appraisal records, alteration of the appraisal records is not allowed. If revision or re-record is required, it must be signed by the appraisal recorder.
3. The appraisal results will be filed and kept as confidential materials and the human resources department will be responsible for destroying them three years after the completion of the Incentive Scheme.

IX. SUPPLEMENTAL PROVISIONS

- (1) These Measures shall be formulated, interpreted and revised by the Board. If the Measures are in conflict with the laws, administrative regulations, regulatory documents and departmental rules subsequently promulgated and implemented, the laws, administrative regulations, regulatory documents and departmental rules subsequently promulgated and implemented shall prevail. Any issues not specified in these Measures shall be implemented in accordance with the relevant national laws, administrative regulations, regulatory documents and the Incentive Scheme.
- (2) These Measures shall be implemented after being considered and approved at the general meeting, the A share class meeting and the H share class meeting of the Company.

Board of Directors of Hisense Home Appliances Group Co., Ltd.

30 December 2022

STATEMENT

The Company and all members of the Board hereby warrant that the content of this ESOP is true, accurate and complete and that there are no false or misleading statements or material omissions.

RISK WARNING

1. This ESOP will be implemented only after the approval of the general meeting of the Company, and it is uncertain whether or not this ESOP will be approved by the general meeting of the Company.
2. The specific source of funds, proportion of contribution, implementation plan and repurchase status of this ESOP are preliminarily decided, and it is uncertain whether or not the implementation can be completed.
3. In the event that the level of subscription by employees is low, there is a risk that this ESOP will not be established; in the case there are insufficient funds for subscription by employees, there is a risk that the size of this ESOP may be smaller than expected. If the Repurchase Plan does not reach the expected size within the specified period, there is a risk that this ESOP will not be established or will fall below the expected size.
4. The Company will disclose relevant progress in accordance with the regulations. Investors should be cautious when making decisions and pay attention to investment risks.

SPECIAL NOTICE

1. The 2022 A Share Employee Stock Ownership Plan (“this ESOP” or the “Plan”) of Hisense Home Appliances Group Co., Ltd. (“Hisense Home Appliances” or the “Company”) is formulated by the Company in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guiding Opinions on the Implementation of Pilot Program on the Employee Share Ownership Plan by Listed Companies, the Self-regulatory Guidelines No. 1 for Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of the Companies Listed on the Main Board, other relevant laws, administrative regulations, rules, regulatory documents and the Articles of Association.
2. This ESOP follows the principles of the Company’s discretionary decision and employees’ voluntary participation, and in no event will employees be forced to participate in this ESOP through means such as apportionment and mandatory distribution.

3. The ESOP's Participants shall include the 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 the participants under the ESOP shall not be more than 30 (excluding the reserved shares) for the first grant, of which 6 of them are directors (excluding independent directors), supervisors and senior management. The exact number of the ESOP's Participants shall be determined based on the actual payment made by the employees.
4. The source of funds for participating in this ESOP 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.
5. The source of shares under this ESOP is ordinary A shares of Hisense Home Appliances repurchased by the Company in accordance with the Resolution on the Repurchasing of A Shares of the Company through Centralized Bidding which was considered and approved by the tenth extraordinary meeting of the eleventh session of the Board. After the consideration and approval by the general meeting, under this ESOP, shares repurchased by the Company through means as permitted by the laws and regulations such as non-trading transfer will be transferred, and the total number of shares transferred shall not exceed 11,700,000 shares in aggregate, representing approximately 0.86% of the total share capital of the Company of 1,362,725,370 shares as at the date of the announcement of this ESOP. The final amount and proportion shall be subject to the actual number of shares repurchased by the Company and the actual subscription of the ESOP's Participants.

In order to meet the needs of sustainable development of the Company and to continuously attract and retain high-caliber people, this ESOP intends to reserve 2,000,000 shares as reserved shares, representing 17.09% of the total amount of this ESOP.

6. After the implementation of this ESOP, the total number of all shares under all valid employee stock ownership plans shall not exceed 10% of the total share capital of the Company, and the total number of shares entitled by an individual employee shall not exceed 1% of the total share capital of the Company. The Underlying Shares exclude the shares acquired by the Holders before the initial public offering of the Company, through their own purchases in the secondary market and through equity incentives.
7. The transfer price of the Company's shares held in the designated securities repurchase account of the Company under this ESOP is RMB6.64 per share, which is 50% of the average trading price of the Company's shares on the last trading day preceding the announcement of this ESOP Draft.

8. The term of this ESOP is 48 months from the date on which the Company announces the transfer of the last tranche of the Underlying Shares for the first grant to this ESOP. The Underlying Shares acquired under this ESOP shall be unlocked in three phases, which is 12 months, 24 months and 36 months from the date on which the Company announces the transfer of the last tranche of the Underlying Shares for the first grant to this ESOP, respectively. The proportion of the Underlying Shares to be unlocked in each phase shall be 40%, 30% and 30%, respectively. The proportion and quantity of shares to be unlocked each year shall be calculated and determined based on the performance indicators of the Company and the performance appraisal results of the Holders.
9. During the term of the ESOP, this ESOP will be managed by the Company itself. A management committee for the ESOP shall be established to exercise the rights of shareholders on behalf of the Holders and responsible for the daily operation of the ESOP.
10. After the approval of this ESOP by the Board, the Company will issue a notice to convene a general meeting and submit it to the general meeting for consideration and approval before implementation. The general meeting of the Company to consider this ESOP will be held by a combination of on-site voting and online voting. The Company will provide an online voting platform to the shareholders of the Company through the trading system of the Shenzhen Stock Exchange and the internet voting system, and shareholders can exercise their voting rights through the above system during online voting.
11. Matters such as finance, accounting treatment and tax expenses in relation to the implementation of the ESOP will be handled according to the relevant financial policies, accounting standards and tax policies, and the relevant taxes and fees to be paid by the employees as a result of the implementation of the ESOP shall be borne by the employees themselves.
12. The implementation of this ESOP will not cause the shareholding structure of the Company to fail to meet the listing requirements.

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DEFINITIONS

In the Draft Plan, unless otherwise stated, the following abbreviations have the following meanings:

Hisense Home Appliances, the Company	Hisense Home Appliances Group Co., Ltd. (including controlled subsidiaries)
ESOP, this ESOP	The 2022 A Share Employee Stock Ownership Plan of Hisense Home Appliances Group Co., Ltd.
ESOP Draft, the Draft Plan	The 2022 A Share Employee Stock Ownership Plan of Hisense Home Appliances Group Co., Ltd. (Draft)
Holder(s), Unit Holder(s), ESOP's Participant(s)	Participant(s) of this ESOP
Holders' Meeting	The meeting of holders of the ESOP
Management Committee	The management committee of the ESOP
Administrative Measures for ESOP	The Administrative Measures for the 2022 A Share Employee Stock Ownership Plan of Hisense Home Appliances Group Co., Ltd.
Underlying Shares	Ordinary A shares of Hisense Home Appliances
CSRC	China Securities Regulatory Commission
CSDC	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
RMB and RMB'000	Renminbi and Renminbi '000
Company Law	The Company Law of the People's Republic of China
Securities Law	The Securities Law of the People's Republic of China
Guiding Opinions	Guiding Opinions on the Implementation of Pilot Program on the Employee Share Ownership Plan by Listed Companies
Self-regulatory Guidelines No. 1	Self-regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of the Companies Listed on the Main Board

Articles of Association	The articles of association of Hisense Home Appliances Group Co., Ltd.
SFC	Securities and Futures Commission of Hong Kong
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Any discrepancy between the figures shown as totals and their arithmetic aggregation in this document is due to rounding.

I. PURPOSES OF THE ESOP

The ESOP Draft is formulated by the Company in accordance with the requirements under the Company Law, the Securities Law, the Guiding Opinions, the Self-regulatory Guidelines No. 1 and other relevant laws, administrative regulations, rules, regulatory documents, and the Articles of Association.

The employees of the Company participate in this ESOP on a voluntary, legal and compliant basis. The purposes of holding shares of the Company 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.

II. BASIC PRINCIPLES OF THE ESOP

(I) Legal Compliance

In implementing the ESOP, the Company follows the procedures in strict compliance with relevant requirements under the laws and administrative regulations, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, manipulation of the securities market, and other fraudulent actions through the ESOP.

(II) Voluntary Participation

The implementation of the ESOP is subject to the discretionary decisions of the Company, and the voluntary participation of the employees. The Company does not force employees to participate in the ESOP in such forms as apportionment and mandatory distribution.

(III) Bearing of Own Risks

The Holders under the ESOP will bear their own risks for gains or losses, and share equal rights with other investors.

III. THE ESOP'S PARTICIPANTS AND THEIR DETERMINATION CRITERIA

(I) 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 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 this ESOP in accordance with the principles of legal compliance, voluntary participation and voluntary risk assumption.

(II) Position Basis for Determining 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 first grant of the ESOP shall not exceed 30 (excluding the reserved shares). The exact number of the ESOP's Participants is determined based on the actual payment made by the employees. The employees' participation in the ESOP shall follow the principles of the Company's discretionary decisions and employees' voluntary participation. The Company shall not force employees to participate in the ESOP by means such as apportionment and mandatory distribution.

(III) ESOP's Participants and Proportion of Allocation

The subscription unit of the ESOP is "unit", and each unit amounts to RMB1 and the maximum number of units under the ESOP is 77,688,000. The number of shares of the Company granted under the ESOP 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 ESOP 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 first grant of the ESOP shall not exceed 30 (excluding the reserved shares), including 6 directors, supervisors and senior management. The relationship between such personnel and the ESOP 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 Employee Stock Ownership Plan	The number of shares corresponding to the proposed subscription units ('000 units)
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-charge of finance	3,652.00	4.70%	550.00
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 exceed 24)		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 ESOP, will be reserved under

the ESOP 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 by 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 ESOP, 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 ESOP, 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.

IV. SIZE, SOURCE OF SHARES, SOURCE OF FUNDS AND PURCHASE PRICE OF THE ESOP

(I) Size of the Underlying Shares involved in the ESOP

The Underlying Shares under the ESOP 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 at the time of the announcement of the ESOP. 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 this ESOP, 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 ESOP 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).

(II) Sources of Underlying Shares involved in the ESOP

The sources of the shares under this ESOP are the ordinary A shares of Hisense Home Appliances repurchased with the Company's designated repurchase account.

At the tenth extraordinary meeting of the eleventh session of the Board of Directors 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 the announcement of this Draft Plan, the Repurchase Plan will soon commence and the Underlying Shares shall be available upon completion of the Repurchase Plan.

(III) Sources of Funding for the ESOP

The source of funds for this ESOP 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 Holders in any form. This ESOP 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 ESOP.

(IV) Purchase Price and Pricing Basis of the ESOP

The purchase price of the shares held in the Company's designated securities repurchase account under this ESOP shall be RMB6.64 per share, being 50% of the average price of the Company's shares traded on the last trading day preceding the date of the announcement of this ESOP Draft.

The ESOP's Participants of this ESOP 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 its shareholders, thereby facilitating the achievement of the motivation objectives.

This ESOP is an important means to attract and retain core talents, boost staff motivation and maintain the competitiveness of the Company. The stability and sustainable development of a company is a process full of risks and challenges, and requires core talents as the backbone to support the normal operation and development of the company. This ESOP aims to enhance the motivation and loyalty of core employees, and at the same time establish a long-term remuneration incentive system for key staff, so as to link the earnings of employees with the long-term performance of the Company. Based on the principle of equality between incentive and discipline, the Company has set up challenging performance appraisal indicators and individual performance appraisals to effectively tie the interests of the Company, shareholders and employees together.

In summary, in order to attract and retain talents, safeguard the interests of shareholders, enhance the sense of responsibility and mission of the management team and core employees of the Company for the growth and development of the Company, enhance the core competitiveness of the Company and enable employees to share the benefits of the Company's continuous growth, taking into account the Company's operating conditions and market environment, this ESOP is designed to provide reasonable incentives to the ESOP's Participants at a reasonable cost. On the basis of the principle of not harming the interests of the Company and with due consideration to the effectiveness of the incentive, the purchase price under this ESOP for the shares

repurchased by the Company is RMB6.64 per share, which is reasonable and conducive to the sustainable development of the Company, taking into account the incentive effect and the interests of shareholders of the Company, and is in line with the basic principle of allowing the Holders to “bear their own risks, bear their own gains or losses, and enjoy equal rights with other investors”.

V. TERM, LOCK-UP PERIOD AND PERFORMANCE APPRAISAL OF THE ESOP

(i) Term of the ESOP

1. The term of this ESOP 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 this ESOP. If not extended, this ESOP will be terminated automatically upon the expiry of its term.
2. Upon expiry of the lock-up period of this ESOP and if all the Underlying Shares held under this ESOP are sold or transferred to the Unit Holders and liquidated and distributed in accordance with the regulations, this ESOP may be terminated prior to the expiry upon consideration and approval by the Holders’ Meeting.
3. If a Holders’ Meeting is held at least one month prior to the expiry of the term of this ESOP 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 of directors of the Company for consideration and approval, the term of this ESOP may be extended.
4. Where the shares of the Company held by this ESOP 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 of the Company or short trading window period, the term of this ESOP 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 of directors of the Company for consideration and approval.
5. The Company shall issue an indicative announcement six months prior to the expiry of the term of this ESOP, stating the number of shares held by this ESOP which is about to expire and its proportion to the total share capital of the Company.
6. The Company shall disclose the number of shares held under the expired ESOP 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 ESOP. 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, and the corresponding review procedures and disclosure obligations should be fulfilled in accordance with the provisions of the ESOP.

(II) Lock-up Period of the ESOP and its Rationality and Compliance

1. The Underlying Shares acquired by this ESOP 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 ESOP. 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 this ESOP, and the number of shares to be unlocked shall be 40% of the total number of the Underlying Shares held by this ESOP.

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 this ESOP, and the number of shares to be unlocked shall be 30% of the total number of the Underlying Shares held by this ESOP.

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 this ESOP, and the number of shares to be unlocked shall be 30% of the total number of the Underlying Shares held by this ESOP.

The shares derived from the Underlying Shares obtained under this ESOP as a result of events such as the distribution of share dividends and capitalization of capital reserve by the Company shall also be subject to the above lock-up arrangement.

2. Trading restrictions of this ESOP

This ESOP will strictly comply with the market trading rules and observe the relevant requirements of the CSRC, the Shenzhen Stock Exchange, the SFC, the Hong Kong Stock Exchange and the Hong Kong Listing Rules on stock trading. No shares of the Company under this ESOP shall be traded during the following periods:

- (1) 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;

- (2) 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 30th day prior to the original scheduled date of announcement;
- (3) within 10 days prior to the issue of quarterly report, announcement of results forecast and preliminary results;
- (4) 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;
- (5) 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.

If there are new provisions in the relevant laws, administrative regulations or departmental rules regarding the period in which the Company is prohibited from stock trading, the new relevant provisions shall prevail.

3. Explanation on the rationality and compliance of the lock-up period of this ESOP

The lock-up period of this ESOP is set based on the principle of balancing incentives and constraints. The purchase price of the shares of this ESOP 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 this ESOP and promote the long-term development of the Company.

(III) Performance Appraisal of the ESOP

1. Performance appraisal at company level

The appraisal years under the ESOP 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	The appraisal indicator for that 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 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 shareholders of the Company and excluding the impact of the share-based fee payment arising from the implementation of the ESOP 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.

2. 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 this ESOP, the unallocated portion will be sold at an appropriate time by the Company during the term of the ESOP 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
Unlocking ratio at individual level		100%		70%	0%

VI. MEANS FOR THE ESOP TO PARTICIPATE IN FINANCING ARRANGEMENTS OF THE COMPANY DURING THE TERM OF THE ESOP

During the term of this ESOP, when the Company raises capital by way of placing of shares, issue of new shares, issue of convertible bonds, etc., the Management Committee will submit to the Holders' Meeting and the Board of Directors for consideration of whether to participate in such financing arrangements and the specific plan of participation.

VII. MANAGEMENT MODEL OF THE ESOP

Subject to the approval of the general meeting, this ESOP shall be established with self-owned funds and shall be managed by the Company itself. The highest internal management authority of the ESOP is the Holders' Meeting. The Holders' Meeting shall establish the Management Committee and authorize the Management Committee as the management body of this ESOP to supervise the daily management of this ESOP and exercise the shareholders' rights on behalf of the Holders. The Administrative Measures for

ESOP clearly stipulate the responsibilities of the Management Committee and adopt adequate risk prevention and segregation measures. The Board of the Company is responsible for drafting and amending the draft of the ESOP and handling other relevant matters of the ESOP within the scope as authorized by the general meeting.

(I) Holders' Meeting

1. The employees of the Company will become the Holders under the ESOP after they subscribe for the units under the ESOP and the Holders' Meeting is the highest internal management authority of the ESOP. All Holders are entitled to attend the Holders' Meeting. The Holders may attend and vote at Holders' Meetings in person, or appoint proxies to attend and vote on their behalf. The expenses, such as travel and accommodation, incurred by the Holders and their proxies to attend the Holders' Meeting shall be borne by the Holders themselves.
2. The following matters are required to be considered at the Holders' Meeting:
 - (1) election and removal of any members of the Management Committee;
 - (2) alteration, termination and extension of the term of the ESOP;
 - (3) when the Company raises funds by way of placing of share, issue of new shares, issue of convertible bonds, etc. during the term of the ESOP, the Management Committee will submit the plan to the Holders' Meeting and the Board for consideration whether to participate in such financing arrangements and the specific plan of participation;
 - (4) consideration and amendment to the Administrative Measures for ESOP;
 - (5) authorization to the Management Committee to supervise the daily management of the ESOP;
 - (6) authorization to the Management Committee to exercise Shareholders' rights;
 - (7) authorization to the Management Committee to take charge of the liquidation and allocation of the assets of the ESOP;
 - (8) other matters that are considered as necessary by the Management Committee for consideration at the Holders' Meeting.
3. The first Holders' Meeting shall be convened and presided over by the Secretary to the Board of the Company or the designated person, and the subsequent Holders' Meetings will be convened by the Management Committee and chaired by the officer of the Management Committee. When

the officer of the Management Committee is unable to perform his/her duty, he/she shall appoint a member of the Management Committee to preside over the meeting.

4. To convene a Holders' Meeting, the Management Committee shall deliver a notice of meeting 3 days prior to the meeting to all the Holders through direct delivery, mail, facsimile, e-mail or other means. The notice of meeting shall at least include the following details:
 - (1) time and venue of the meeting;
 - (2) means of convening the meeting;
 - (3) proposed matters to be considered;
 - (4) convener and chairman of the meeting and the proposer(s) of the extraordinary meeting(s) and their written proposals;
 - (5) necessary materials for voting at the meeting;
 - (6) requirements as to the Holders to attend the meeting in person or appoint other Holders to attend the meeting on their behalf;
 - (7) contact person and contact information;
 - (8) date of issuance of the notice.

In case of emergency, a Holders' Meeting can be convened by verbal notice. The verbal notice shall at least include the above information mentioned in items (1), (2) and (3) and an explanation on the emergency and necessity to convene a Holders' Meeting as soon as possible.

5. Voting procedures of the Holders' Meeting
 - (1) After each proposal has been fully discussed, the chairman shall invite Holders present at the meeting to vote in a timely manner. The chairman may also invite the Holders present at the meeting to vote only after all proposals have been discussed. Voting shall be carried out by written ballot.
 - (2) The Holders of this ESOP shall exercise their voting rights according to the units held by them.
 - (3) The Holders may vote for or against the resolution, or abstain from voting on any resolution according to their wish. The Holders present at the meeting shall select one of the voting options, and any vote with no selection or two selections or more will be deemed as abstention.

Anyone who leaves the venue in the middle of the meeting and does not return without making a choice will be deemed as abstention. Any vote made after the chairman announces the voting result or after the prescribed voting time shall not be counted.

- (4) The chairman of the meeting shall announce the voting results on the spot. Each resolution becomes a valid resolution after being passed by the Holders present at the Holders' Meeting holding more than 50% (excluding 50%) of the units (except for resolutions that require the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting).
 - (5) Resolutions of the Holders' Meeting that shall be submitted to the Board of the Company and shareholders' general meeting for consideration shall be submitted to the Board of the Company and the shareholders' general meeting for consideration in accordance with the Articles of Association.
 - (6) The chairman of the meeting is responsible for arranging personnel to take minutes of the meeting.
- 6. Holders who individually or jointly hold over 30% of the units under the ESOP may submit a temporary motion to the Holders' Meeting. Such a temporary motion shall be submitted to the Management Committee 3 days prior to the Holders' Meeting.
 - 7. Holders who individually or jointly hold over 10% of the units under the ESOP may propose to convene a Holders' Meeting.

(II) Management Committee

- 1. The Management Committee shall be set up for the ESOP and shall be responsible for the daily management of the ESOP and exercising shareholders' rights on behalf of the Holders. The members of the Management Committee shall be elected by the Holders' Meeting attended by all Holders.
- 2. The Management Committee comprises three members including one officer. The officer of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the ESOP.
- 3. The members of the Management Committee have the following fiduciary duties to the ESOP in accordance with laws, administrative regulations and provisions of the Administrative Measures for the ESOP:

- (1) not to take advantage of their positions and authority to accept bribes or other illegal income; not to misappropriate any property of the ESOP;
- (2) not to misappropriate funds of the ESOP;
- (3) without the consent of the Management Committee, not to open account under his or her own name or others' names for depositing the assets or funds of the ESOP;
- (4) without the consent of the Holders' Meeting, not to lend funds of the ESOP to others or provide guarantee for others with the properties of the ESOP;
- (5) not to take advantage of their positions and authority to jeopardize the interests of the ESOP.
- (6) Not to arbitrarily disclose trade secrets in relation to the ESOP.

Where a member of the Management Committee causes any loss to the ESOP due to his or her breach of fiduciary duties, such member shall be liable for indemnification.

4. The Management Committee shall discharge the following functions and duties:
 - (1) convene the Holders' Meetings;
 - (2) take up the daily management of the ESOP on behalf of all Holders;
 - (3) exercise the shareholders' rights on behalf of all Holders;
 - (4) manage the allocation of interests of the ESOP;
 - (5) decide on the recovery and acceptance of the units of the ESOP and the arrangement for realization of the corresponding income;
 - (6) handle unit registration, change and inheritance registration of the units under the ESOP;
 - (7) decide on special matters other than the above during the term of the ESOP;
 - (8) sign relevant documents on behalf of all Holders;

- (9) consider and determine the allocation/redistribution of reserved shares, unsubscribed shares, shares withdrawn for reasons such as failure to meet personal appraisals, personal changes, etc. in accordance with the provisions of the ESOP (if the person to whom the reserved shares are allocated is a director, supervisor or senior management member of the Company, the allocation plan shall be submitted to the Board for consideration and determination);
 - (10) other functions and duties as delegated by the Holders' Meeting;
 - (11) other functions and duties which shall be performed by the Management Committee under the ESOP and as stipulated in the relevant laws and regulations.
- 5. The officer of the Management Committee shall discharge the following functions and authority:
 - (1) preside over the Holders' Meetings, convene and preside over the Management Committee meetings;
 - (2) supervise and monitor the execution of resolutions of the Holders' Meetings and the Management Committee meetings;
 - (3) other functions and authority as delegated by the Management Committee.
- 6. The Management Committee meetings shall be convened on a non-regular basis by the officer of the Management Committee. A notice of the meeting shall be sent to all members of the Management Committee 1 day prior to the meeting.
- 7. The members of the Management Committee may propose to convene an extraordinary meeting of the Management Committee. The officer of the Management Committee shall convene and preside over the Management Committee meeting within 3 days after receiving the proposal.
- 8. Management Committee meetings shall be held only when more than half of the members of the Management Committee are present. A resolution made by the Management Committee must be approved by more than half of all members of the Management Committee. Each member of the Management Committee shall have one vote regarding the voting for resolutions at the Management Committee.
- 9. The voting of the Management Committee's resolutions shall be conducted by open ballot. Provided that the members of the Management Committee can fully express their opinions, the Management Committee meetings can

be held and resolutions can be made by way of facsimile which shall be signed by the members of the Management Committee attending the meeting.

10. The members of the Management Committee shall attend the Management Committee meetings in person. If the members of the Management Committee are unable to attend the meetings, they may appoint other members of the Management Committee in writing to attend the meeting on their behalf. The proxy form shall specify the name of the proxy, matters to be dealt with by proxy, scope of authorization and term of validity, and shall be signed or sealed by the member who has made the authorization. The authorized members of the Management Committee shall exercise the rights within the scope of authorization. For any member of the Management Committee who neither attend a meeting of the Management Committee nor appoint a proxy to attend a Management Committee meeting, he/she shall be deemed to have given up his/her right to vote at the meeting.
11. The Management Committee shall take minutes of the matters discussed at the meeting, which shall be signed by the members of the Management Committee present at the meeting.

(III) Authorization to the Board by the Shareholders' General Meeting

The general meeting authorizes the Board to handle all matters in relation to the ESOP in full discretion, including but not limited to the following:

1. to authorize the Board to handle the establishment, modifications and termination of the ESOP;
2. to authorize the Board to make decisions on the extension and early termination of the ESOP;
3. to authorize the Board to handle all matters relating to the lock-up and unlocking of the shares purchased under the ESOP;
4. to authorize the Board to interpret the 2022 A Share Employee Stock Ownership Plan (Draft) of Hisense Home Appliances Group Co., Ltd.;
5. to authorize the Board to implement the ESOP, including but not limited to nominate candidates for the Management Committee;
6. to authorize the Board to make decisions on the participation of the ESOP in refinancing matters such as the placing of shares of the Company during the term of the ESOP;
7. to authorize the Board to change the ESOP's Participants and the determination criteria of the ESOP;

8. to authorize the Board to sign contracts and relevant agreements and documents for the ESOP;
9. to authorize the Board, in the event of changes in the relevant laws, regulations and policies, to make corresponding amendments and enhancements to the ESOP according to the changes in the relevant laws, regulations and policies;
10. to authorize the Board to handle other matters necessary for the ESOP, except for those rights expressly stipulated in the relevant documents to be exercised by the general meeting.

Such authorizations shall be valid from the date of approval at the general meeting of the Company until the date of completion of implementation of the ESOP.

(IV) Management Organization

Following the approval from the general meeting, the ESOP will be managed by the Company itself. Depending on the implementation of the ESOP, professional institutions with relevant qualifications may be engaged to provide consultation and management services for the ESOP.

VIII. ALTERATION, TERMINATION AND DISPOSAL OF HOLDERS' INTERESTS UNDER THE ESOP

(I) Alteration of the ESOP

During the term of the ESOP, any amendment to the ESOP shall be subject to the approval of at least two-thirds of the units held by the Holders attending the Holders' Meeting and the consideration and approval of the Board of the Company.

(II) Termination of the ESOP

1. The ESOP will be terminated automatically upon its expiry.
2. When all shares held in the Company under this ESOP are sold or transferred to the Holders, this ESOP may be terminated before its expiry.
3. The term of the ESOP may be extended by the Holders present at the Holders' Meeting holding at least two-thirds of the units and upon consideration and approval of the Board of the Company one month prior to the expiry of the ESOP, and the ESOP shall be terminated upon expiry of the extended period.

(III) Liquidation and Distribution of the ESOP

1. The Management Committee shall complete the liquidation of the ESOP 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.
2. During the term of this ESOP, the Management Committee may distribute cash from the capital account of the ESOP to the Holders in accordance with the authorization of the Holders' Meeting.

(IV) Rights Attached to the Shares Held by the ESOP and Arrangements on the Possession, Use, Benefit and Disposal of the Rights of the Holders over the Shares

1. Holders of the ESOP are entitled to the asset income rights of the shares held by the ESOP according to their actual capital contribution. The corresponding shares obtained by the Holders through the ESOP shall be entitled to shareholders' rights (including dividend rights, rights issue, conversion of shares and other asset income rights).
2. During the term of the ESOP, except as otherwise provided by laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the ESOP held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal.
3. During the lock-up period, the Holders shall not request for distribution of interests under the ESOP.
4. 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 ESOP due to holding the Company's 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.
5. Upon the expiry of the lock-up period of the ESOP and during the term of the ESOP, 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 ESOP after the unlocking date.
6. Upon the expiry of the lock-up period of the ESOP and during the term of the ESOP, the Management Committee, in accordance with the authorization of the Holders' Meeting, shall decide whether to distribute the income corresponding to the ESOP. 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.

7. During the term of the ESOP, distribution may be made in each accounting year when the Underlying Shares held by the ESOP 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 ESOP after deducting relevant taxes and fees and payables of the ESOP in accordance with the law.
8. During the lock-up period, in the event of dividend payment by the Company, the cash dividends received by the ESOP for the shares of the Company held shall be credited to the monetary assets of the ESOP and shall not be distributed separately for the time being. Upon the expiry of the lock-up period of the ESOP 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 ESOP and during the term, in the event of a dividend payment by the Company, the cash dividends received by the ESOP for the Shares of the Company shall be credited to the monetary assets of the ESOP.
9. Upon occurrence of other unspecified events, the disposal method of the units of the ESOP held by the Holders shall be determined by the Holders' Meeting.
10. During the term of the ESOP, 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 of Directors for consideration of whether to participate and the specific plan of participation.

(V) Measures for the Disposal of the Interests of the Shares Held by Holder of the ESOP in the Event of Termination of Employment, Retirement, Death or Other Circumstances that Render the Holder no longer Suitable to Participate in the Plan

1. The Management Committee has the right to disqualify the Holder from participating in the ESOP in the event of the following circumstances:
 - (1) the Holder resigns or resigns without authorization or quitting from the original position due to personal reasons ("quitting from the original position" means a Holder leaves his/her current job to take up a position as a consultant, expert, teacher, etc., where his/her experience and expertise can be utilized, the same applies below) or is dismissed by the Company;

- (2) the Holder refuses to renew the labor contract with the Company or its controlled subsidiaries upon expiration of the labor contract;
- (3) the Company or its controlled subsidiaries does not renew the labor contract with the Holder upon expiration of the labor contract;
- (4) the Holder's labor contract is terminated by the Company or its controlled subsidiaries due to his/her violation of laws, administrative regulations or rules and systems of the Company;
- (5) the Holder becomes ineligible to participate in the ESOP due to reasons such as making a material mistake;
- (6) material breaches of the rules and systems of the Company;
- (7) other circumstances as determined by the Management Committee.

Measures for handling: if one of the above (1)-(7) occurs, the Management Committee has the right to disqualify the Holder from participating in the ESOP and conduct the cancellation and withdrawal of the units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to allocation of the recovered units to other eligible ESOP's participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holder. Where there is still revenue after the return to the Holder, the revenue shall be returned to the Company.

Up to the date of disqualification of such Holder from participating in the ESOP by the Management Committee, the original Holders shall be entitled to the portion of cash proceeds already realized under the ESOP in proportion to the units he/she holds.

- (8) retirement: the Holder reaches the national retirement age and retires during the term;
- (9) death: the Holder passed away during the term;
- (10) loss of working capacity: the Holder loses working capacity during the term.

Measures for handling: if one of the above (8)-(10) occurs, the Holder's units of the ESOP will still be unlocked for the most recent unlocking period at the time and under the unlocking conditions originally set out, with the unlocking proportion determined by the Holder's period of employment in

the corresponding performance year. After the unlocking date, the Management Committee has the right to disqualify the Holder from participating in the ESOP and conduct the cancellation and withdrawal of the unlocked units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be sold at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds plus the interest on bank deposits shall be returned to the Holder or his/her legal successors. Where there is still revenue after the return, the revenue shall be returned to the Company.

Up to the date of disqualification of such Holder from participating in the ESOP by the Management Committee, the original Holder shall be entitled to the portion of cash proceeds already realized under the ESOP in proportion to the units held by him/her.

- (11) the Holder has caused damage to the Company and caused material adverse impact to the society due to violation of law and discipline.

Measures for handling: if the above (11) occurs, the Management Committee has the right to disqualify the Holder from participating in the ESOP and conduct the cancellation and withdrawal of the units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to the allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be sold at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holders. Where there is still revenue after the return to the Holder, the revenue shall be returned to the Company. The Management Committee has the right to recover the portion of cash proceeds already realized under the ESOP.

- (12) the Holder has caused material loss to the Company due to violation of non-compete restrictions and other major employment issues after termination of employment.

Measures for handling: if the above (12) occurs, the Management Committee has the right to recover the portion of cash proceeds already realized under the ESOP.

2. Adjustments to the units of the Holders

Demotion or downgrading: a change in the Holder's duties for personal reasons during the term but still meeting the conditions of participation;

During the term, the Management Committee may adjust the units of the ESOP awarded to the Holder, including reduction and cancellation of units based on the relevant assessment of the Holder by the Company or changes in position/rank. The Management Committee has the right to conduct the reduction/cancellation and withdrawal of the units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to the allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be sold at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holders. Where there is still revenue after the return to the Holders, the revenue shall be returned to the Company.

Up to the date of disqualification of such Holder from participating in the ESOP by the Management Committee, the original Holder shall be entitled to the portion of cash proceeds already realized under the ESOP in proportion to the units held by him/her.

3. Circumstances in which the Holder's interest will not be changed

- (1) Change in position: if the Holder's position is changed for organisational reasons but he/she still meets the conditions of participation during the term;
- (2) Quitting from the original position (organizational reasons): if the Holder quits from the original position due to organisational reasons but he/she still meets the conditions of participation during the term;

there will be no change to his/her interests in the ESOP during the term.

IX. MEASURES FOR DISPOSAL OF THE SHARES HELD BY EMPLOYEES UPON EXPIRY OF THE ESOP

1. If all the shares of the Company held by the ESOP are sold or transferred to the Unit Holders and the assets under the ESOP are liquidated and allocated completely according to the ESOP, the ESOP may be terminated earlier after being approved by the Holders' Meeting.

2. The term of the ESOP may be extended with the consent of two-thirds of the units held by the Holders attending the Holders' Meeting and after the submission to the Board of Directors of the Company for consideration and approval one month prior to the expiry of the term of the ESOP.
3. After the proposed early termination or expiration of the term of the ESOP, the Management Committee shall complete the liquidation within 30 working days after the termination date of the ESOP and proceed to distribution in proportion to the units of the Holders after deduction of relevant taxes and fees in accordance with the law.
4. After the expiration of the term of the ESOP, if the assets held by the ESOP still contain the underlying Shares, the Management Committee shall determine the disposal method.

X. ACCOUNTING TREATMENT OF THE ESOP

According to the provisions of Accounting Standards for Enterprises No. 11 – Share-based Payment, the equity-settled share-based payments in consideration of services rendered by staff that can only be exercised upon the completion of services or attainment of required performance targets within the vesting period are recognized in relevant cost or expenses and the capital reserve in respect of services obtained for the period at the fair value on the date of grant of the equity instrument based on the best estimate of the volume of exercisable equity instruments at each balance sheet date during the vesting period.

Assuming that the Company will transfer 9,700,000 Underlying Shares to the ESOP in early May 2023, the ESOP will sell the Underlying Shares held in the agreed proportion mentioned above upon the expiration of the lock-up period. As an estimate, assuming that the fair value of the equity instruments is measured at the closing price of the shares of the Company of RMB13.17 per share on the trading day prior to the consideration of the Board of Directors on the ESOP, the total cost to be recognized by the Company is estimated to be RMB63,341,000, which will be amortised by the Company in proportion to each unlocking during the lock-up period. The amortization of the ESOP expenses from 2023 to 2026 is estimated as follows:

No. of shares to be granted for the first grant ('000 shares)	Total share-based payment (RMB'000)	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)	2026 (RMB'000)
9,700.00	63,341.00	27,447.80	24,280.70	9,501.20	2,111.40

Note: The final result of the impacts above on the Company's operating results is subject to the annual audit report issued by the accounting firm.

Without taking into account the impacts of the ESOP on the Company's results, the amortization of the ESOP expenses will have an impact on the net profit for each year during the term, but the impact is not significant. If taking into account the positive effect of the ESOP on the Company's development, the ESOP can effectively stimulate the enthusiasm of the employees of the Company and improve the operating efficiency.

XI. PROCEDURES FOR THE IMPLEMENTATION OF THE ESOP

1. The Board of Directors shall be responsible for formulating the ESOP Draft.
2. Before the implementation of the ESOP, the Company shall fully seek the opinions of employees through staff representatives' meetings and other organizations.
3. The Board of Directors will consider and approve the ESOP Draft, while the independent directors and the Supervisory Committee shall deliver their opinions on whether the ESOP is beneficial to the sustainable development of the Company, whether it is detrimental to the interests of the Company and the shareholders as a whole, and whether there is any apportionment, mandatory distribution and other circumstances in which the employees are forced to participate in the ESOP.
4. When the Board of Directors is considering the ESOP, directors who are associated with the ESOP shall abstain from voting. The Board of Directors shall announce the resolution of the Board of Directors, the summary of the ESOP Draft, the opinions of the independent directors and the Supervisory Committee within two trading days after the consideration and approval of the ESOP Draft.
5. The Company shall engage a law firm to issue legal opinions for the ESOP, and publish the legal opinions two trading days before the convening of the relevant on-site general meeting.
6. The Company shall engage an independent financial advisor to issue the independent financial advisor's report on the ESOP, which will be published prior to the relevant general meeting to be held for considering the ESOP.
7. A general meeting will be held to consider the ESOP. The general meeting will adopt the combination of on-site voting and online voting, where the votes of medium to small investors will be counted separately, the results of which will be made public; any director or shareholder who is involved in the ESOP shall abstain from voting. The ESOP can be implemented after it is passed by a majority of effective voting rights present at the general meeting (of which the affiliated shareholders should abstain from voting).
8. The Company will timely disclose the time, quantity and proportion among others of the Underlying Shares acquired hereunder within 2 trading days after the Company has completed the purchase of Underlying Shares or the transfer of the Underlying Shares into the ESOP.
9. Other procedures that shall be performed as stipulated by the CSRC and the SZSE.

**XII. CONNECTED RELATIONSHIP AND ACTING-IN-CONCERT RELATIONSHIP
UNDER THE ESOP**

As at the date of the announcement of the ESOP Draft, there is no de facto controller of the Company and the controlling shareholder of the Company has not participated in the ESOP. Therefore, no acting-in-concert agreement has been signed or acting-in-concert arrangement exists between the ESOP and the controlling shareholder or the de facto controller of the Company.

Some of the directors, supervisors and senior management of the Company hold units under the ESOP, and such Holders are connected to the ESOP and should abstain from voting at the general meeting, the meeting of the Board and the meeting of the Supervisory Committee of the Company when considering resolutions relating to the ESOP; when the general meeting of the Company considers matters relating to the directors, supervisors and senior management participating in the ESOP, the Holders under the ESOP should abstain from voting. Save as aforesaid, there is no other connected relationship or acting-in-concert relationship between the ESOP and the de facto controller, directors, supervisors and senior management of the Company.

There is no connected relationship between the Holders of the ESOP. No acting-in-concert agreement has been signed and no acting in concert arrangement exists in relation to the ESOP. There is no act or fact that the ESOP has expanded the number of voting rights of the Company's shares at their disposal through agreements or other arrangements with the de facto controller, directors, supervisors and senior management.

XIII. OTHER IMPORTANT MATTERS

1. The approval of the ESOP at the Board meeting and the general meeting of the Company neither implies that the Holders have the right to continue to serve at the Company, nor constitutes an undertaking of the Company regarding the term of employment of the employees. The employment relation between the Company and the Holders shall continue to be governed by the labor contract or employment agreement entered into between the Company and the Holders.
2. Matters such as finance, accounting treatment and taxation in relation to the implementation of the ESOP by the Company will be dealt with according to the relevant policies of finance, accounting and tax. Personal income tax payable by the employees as a result of the implementation of the ESOP will be borne by the employees themselves.

3. There is no arrangement for third parties to provide incentives, subsidies, and make up the balance for employees to participate in the ESOP.
4. The Board of Directors of the Company reserves the right of interpretation over the ESOP, and the ESOP will only come into force after being reviewed and approved at the general meeting of the Company.

Board of Directors of Hisense Home Appliances Group Co., Ltd.

30 December 2022

APPENDIX IV THE ADMINISTRATIVE MEASURES FOR THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to regulate the implementation of the 2022 A Share Employee Stock Ownership Plan (hereinafter referred to as the “**ESOP**”) of Hisense Home Appliances Group Co., Ltd. (hereinafter referred to as “**Hisense Home Appliances**” or the “**Company**”), the Company has formulated the Administrative Measures for the 2022 A Share Employee Stock Ownership Plan of Hisense Home Appliances Group Co., Ltd. (the “**Administrative Measures**”) in accordance with the requirements of the Company Law of the People’s Republic of China (the “**Company Law**”), the Securities Law of the People’s Republic of China (the “**Securities Law**”), the Guiding Opinions on the Pilot Implementation of Employee Share Ownership Plan by Listed Companies of the China Securities Regulatory Commission (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 (“**Self-regulatory Guidelines No. 1**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and other relevant laws, regulations, regulatory documents, and the Articles of Association of Hisense Home Appliances Group Co., Ltd. (the “**Article of Association**”) and the 2022 A Share Employee Stock Ownership Plan (Draft) of Hisense Home Appliances Group Co., Ltd.

CHAPTER 2 FORMULATION OF THE ESOP

Article 2 Basic principles of the ESOP

(I) Principle of legal compliance

In implementing the ESOP, the Company follows the procedures in strict compliance with relevant requirements under the laws and administrative regulations, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, manipulation of the securities market, and other fraudulent actions through the ESOP.

(II) Principle of voluntary participation

The implementation of the ESOP is subject to the discretionary decisions of the Company, and the voluntary participation of the employees. The Company does not force employees to participate in the ESOP in such forms as apportionment and mandatory distribution.

(III) Principle of self-bearing of risks

The participants under the ESOP (the “ESOP’s Participants”, “Holders” or “Unit Holders”) will bear their own risks for gains or losses, and share equal rights with other investors.

APPENDIX IV THE ADMINISTRATIVE MEASURES FOR THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

Article 3 Holders of the ESOP

(I) 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 and other laws, regulations, regulatory documents as well as the relevant provisions of the Articles of Association. The employees of the Company shall participate in this ESOP in accordance with the principles of legal compliance, voluntary participation and voluntary risk assumption.

(II) Position Basis for Determining 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 ESOP 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 ESOP shall follow the principles of the Company's discretionary decisions and employees' voluntary participation. The Company shall not force employees to participate in the ESOP by means such as apportionment and mandatory distribution.

Article 4 Size of the Underlying Shares involved in the ESOP

The underlying shares under the ESOP 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 at the time of the announcement of the ESOP. 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 ESOP, 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 ESOP 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).

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Article 5 Source of the Underlying Shares involved in the ESOP

The sources of the shares under the ESOP are the ordinary A shares of Hisense Home Appliances repurchased with the Company's designated repurchase account.

At the tenth extraordinary meeting of the eleventh session of the Board of Directors 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 the announcement of the Draft of the ESOP, the Repurchase Plan will soon commence and the underlying shares shall be available upon completion of the Repurchase Plan.

Article 6 Sources of Funding for the ESOP

The source of funds for participating in the ESOP 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 Holders in any form. The ESOP 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 ESOP.

Article 7 Term and Lock-up Period of the ESOP

(I) The term of the ESOP and the decision-making procedures for extending the term after expiration

1. The term of the ESOP 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 ESOP. If not extended, the ESOP will be terminated automatically upon the expiry of its term.
2. Upon expiry of the lock-up period of the ESOP and if all the underlying shares held under the ESOP are sold or transferred to the Unit Holders and liquidated and distributed in accordance with the regulations, this ESOP may be terminated prior to the expiry upon consideration and approval by the Holders' Meeting.
3. If a Holders' Meeting is held at least one month prior to the expiry of the term of the ESOP 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 of directors of the Company for consideration and approval, the term of the ESOP may be extended.
4. Where the shares of the Company held by the ESOP 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 of the Company or short trading window period, the term of the ESOP may be extended with the consent of more

APPENDIX IV THE ADMINISTRATIVE MEASURES FOR THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

than two-thirds of the units held by the Holders attending the Holders' Meeting and after submission to the board of directors of the Company for consideration and approval.

5. The Company shall issue an indicative announcement six months prior to the expiry of the term of the ESOP, stating the number of shares held by the ESOP which is about to expire and its proportion to the total share capital of the Company.
6. The Company shall disclose the number of shares held under the expired ESOP 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 ESOP. 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, and the corresponding review procedures and disclosure obligations should be fulfilled in accordance with the provisions of the ESOP.

(II) Lock-up period of the Underlying Shares involved in the ESOP

1. The underlying shares acquired by this ESOP 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 ESOP. 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 ESOP, and the number of shares to be unlocked shall be 40% of the total number of the underlying shares held by the ESOP.

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 ESOP, and the number of shares to be unlocked shall be 30% of the total number of the underlying shares held by the ESOP.

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 ESOP, and the number of shares to be unlocked shall be 30% of the total number of the underlying shares held by the ESOP.

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

2. Performance Appraisal at Company Level

The appraisal years under the ESOP 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	The appraisal indicator for that 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 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 shareholders of the Company and excluding the impact of the share-based fee payment arising from the implementation of the ESOP 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

APPENDIX IV THE ADMINISTRATIVE MEASURES FOR THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

will be taken back by the ESOP's management committee (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.

3. 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 Holders 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 Holders 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 ESOP, the unallocated portion will be sold at an appropriate time by the Company during the term of the ESOP 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
Unlocking ratio at individual level		100%		70%	0%

4. The ESOP will strictly comply with the market trading rules and observe the relevant requirements of the CSRC, the Shenzhen Stock Exchange, the Securities and Futures Commission of Hong Kong (the "SFC"), The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Hong Kong Listing Rules on stock trading. No Shares of the Company under the ESOP shall be traded during the following periods:

- (1) 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

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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;

- (2) 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 30th day prior to the original scheduled date of announcement;
- (3) within 10 days prior to the issue of quarterly report, announcement of results forecast and preliminary results;
- (4) 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;
- (5) 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.

If there are new provisions in the relevant laws, administrative regulations or departmental rules regarding the period in which the Company is prohibited from stock trading, the new relevant provisions shall prevail.

Article 8 Procedures for the Implementation of the ESOP

- (I) The Board of Directors shall be responsible for formulating the draft of the ESOP.
- (II) Before the implementation of the ESOP, the Company shall fully seek the opinions from employees through staff representatives' meetings and other organisations.
- (III) The Board of Directors will consider and approve the draft of the ESOP, while the independent directors and the Supervisory Committee shall deliver their opinions on whether the ESOP is beneficial to the sustainable development of the Company, whether it is detrimental to the interests of the Company and the shareholders as a whole, and whether there is apportionment, mandatory distribution and other circumstance in which the employees are forced to participate in the ESOP.
- (IV) When the Board of Directors is considering the ESOP, the directors who are associated with the ESOP shall abstain from voting. The Board of Directors will shall announce the resolution of the Board of Directors, the summary of the draft

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of the ESOP, the opinions of the independent directors and the Supervisory Committee within two trading days after the consideration and approval of the draft of the ESOP.

- (V) The Company shall engage a law firm to issue legal opinions on the ESOP, and publish the legal opinions two trading days before the convening of the relevant on-site general meeting.
- (VI) The Company shall engage an independent financial advisor to issue the independent financial advisor's report on the ESOP, which will be published prior to the relevant general meeting to be held for considering the ESOP.
- (VII) A general meeting will be held to consider the ESOP. The general meeting will adopt the combination of on-site voting and online voting, where the votes of medium to small investors will be counted separately, the results of which will be made public; any director or shareholder who is involved in the ESOP shall abstain from voting. The ESOP can be implemented after it is passed by a majority of effective voting rights present at the general meeting (of which the affiliated shareholders should abstain from voting).
- (VIII) The Company will timely disclose the time, quantity and proportion among others of the underlying shares acquired within 2 trading days after the Company has completed the purchase of underlying shares or the transfer of the underlying shares into the ESOP.
- (IX) Other procedures to be performed as required by the rules of CSRC and Shenzhen Stock Exchange.

CHAPTER 3 MANAGEMENT OF THE ESOP

Article 9 Management Model of the ESOP

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

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Article 10 Holders' Meeting of the ESOP

- (I) The employees of the Company will become the Holders under the ESOP after they subscribe for the units under the ESOP and the Holders' Meeting is the highest internal management authority of the ESOP. All Holders are entitled to attend the Holders' Meeting. The Holders may attend and vote at Holders' Meetings in person, or appoint proxies to attend and vote on their behalf. The expenses, such as travel and accommodation, incurred by the Holders and their proxies to attend the Holders' Meeting shall be borne by the Holders themselves.
- (II) The following matters shall be considered and discussed at the Holders' Meeting:
1. Election and removal of any members of the Management Committee;
 2. Alteration, termination and extension of the duration of the ESOP;
 3. When the Company raises funds by way of placing of shares, issue of new shares, issue of convertible bonds, etc. during the term of the ESOP, the Management Committee will submit the plan to the Holders' Meeting and the Board for consideration whether to participate in such financing arrangements and the specific plan of participation;
 4. Consideration and amendment to the Administrative Measures;
 5. Authorization to the Management Committee to supervise the daily management of the ESOP;
 6. Authorization to the Management Committee to exercise shareholders' rights;
 7. Authorization to the Management Committee to take charge of the liquidation and distribution of the assets of the ESOP;
 8. Other matters that are considered as necessary by the Management Committee for consideration at the Holders' Meeting.
- (III) The first Holders' Meeting shall be convened and presided over by the Secretary to the Board of the Company or the designated person, and the subsequent Holders' Meetings will be convened by the Management Committee and chaired by the officer of the Management Committee. When the officer of the Management Committee is unable to perform his/her duty, he/she shall appoint a member of the Management Committee to preside over the meeting.
- (IV) To convene a Holders' Meeting, the Management Committee shall deliver a notice of meeting 3 days prior to the meeting to all the Holders through direct delivery, mail, facsimile, e-mail or other means. The notice of meeting shall at least include the following details:

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1. time and venue of the meeting;
2. means of convening the meeting;
3. proposed matters to be considered;
4. convener and chairman of the meeting and the proposer(s) of the extraordinary meeting (s) and their written proposals;
5. necessary materials for voting at the meeting;
6. requirements as to the Holders to attend the meeting in person or appoint other Holders to attend the meeting on their behalf;
7. contact person and contact information;
8. date of issuance of the notice.

In case of emergency, the Holders' Meeting can be convened by verbal notice. The verbal notice shall at least include the above information mentioned in items 1, 2 and 3 and an explanation on the emergency and necessity to convene a Holders' Meeting as soon as possible.

(V) Voting procedures of the Holders' Meeting

1. After each proposal has been fully discussed, the chairman shall invite Holders present at the meeting to vote in a timely manner. The chairman may also invite the Holders present at the meeting to vote only after all proposals have been discussed. Voting shall be carried out by written ballot.
2. The Holders of the ESOP shall exercise their voting rights according to the units held by them.
3. The Holders may vote for or against the resolution, or abstain from voting on any resolutions according to their wish. The Holders present at the meeting shall select one of the voting options, and any vote with no selection or two selections or more will be deemed as abstention. Anyone who leaves the venue in the middle of the meeting and does not return without making a choice will be deemed as abstention. Any vote made after the chairman announces the voting result or after the prescribed voting time shall not be counted.
4. The chairman of the meeting shall announce the voting results on the spot. Each resolution becomes a valid resolution after being passed by the Holders present at the Holders' Meeting holding more than 50% (excluding 50%) of the units (except for resolutions that require the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting).

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5. Resolutions of the Holders' Meeting that shall be submitted to the Board of the Company and shareholders' general meeting for consideration shall be submitted to the Board of the Company and the shareholders' general meeting for consideration in accordance with the Articles of Association.
 6. The chairman of the meeting is responsible for arranging personnel to take minutes of the meeting.
- (VI) Holders who individually or jointly hold over 30% of the units under the ESOP may submit a temporary motion to the Holders' Meeting. Such a temporary motion shall be submitted to the Management Committee 3 days prior to the Holders' Meeting.
- (VII) Holders who individually or jointly hold over 10% of the units under the ESOP may propose to convene a Holders' Meeting.

Article 11 Management Committee of the ESOP

- (I) The Management Committee shall be set up for the ESOP and shall be responsible for the daily management of the ESOP and exercising shareholders' rights on behalf of the Holders. The members of the Management Committee shall be elected by the Holders' Meeting attended by all Holders.
- (II) The Management Committee comprises three members including one officer. The officer of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the ESOP.
- (III) The members of the Management Committee have the following fiduciary duties to the ESOP in accordance with laws, administrative regulations and the Administrative Measures:
 1. not to take advantage of their positions and authority to accept bribes or other illegal income; not to misappropriate any property of the ESOP;
 2. not to misappropriate funds of the ESOP;
 3. without the consent of the Management Committee, not to open account under his or her own name or others' names for depositing the assets or funds of the ESOP;
 4. without the consent of the Holders' Meeting, not to lend funds of the ESOP to others or provide guarantee for others with the properties of the ESOP;
 5. not to take advantage of their positions and authority to jeopardize the interests of the ESOP;

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6. not to arbitrarily disclose trade secrets in relation to the ESOP.

Where a member of the Management Committee causes any loss to the ESOP due to his or her breach of fiduciary duties, such member shall be liable for indemnification.

(IV) The Management Committee shall discharge the following functions and duties:

1. convene the Holders' Meetings;
2. take up the daily management of the ESOP on behalf of all Holders;
3. exercise the shareholders' rights on behalf of all Holders;
4. manage the allocation of interests of the ESOP;
5. decide on the recovery and acceptance of the units of the ESOP and the arrangement for realization of the corresponding income;
6. handle unit registration, change and inheritance registration of the units under the ESOP;
7. decide on special matters other than the above during the term of the ESOP;
8. sign relevant documents on behalf of all Holders;
9. consider and determine the allocation/redistribution of reserved shares, unsubscribed shares, shares withdrawn for reasons such as failure to meet personal appraisals, personal changes, etc. in accordance with the provisions of the ESOP (if the person to whom the reserved shares are allocated is a director, supervisor or senior management member of the Company, the allocation shall be submitted to the Board for consideration and determination);
10. other functions and duties as delegated by the Holders' Meeting;
11. other functions and duties which shall be performed by the Management Committee under the ESOP and as stipulated in the relevant laws and regulations.

(V) The officer of the Management Committee shall discharge the following functions and authority:

1. preside over the Holders' Meetings, convene and preside over the Management Committee meetings;

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2. supervise and monitor the execution of resolutions of the Holders' Meetings and the Management Committee meetings;
 3. other functions and authority as delegated by the Management Committee.
- (VI) The Management Committee meetings shall be convened on a non-regular basis by the officer of the Management Committee. A notice of the meeting shall be sent to all members of the Management Committee 1 day prior to the meeting.
- (VII) The members of the Management Committee may propose to convene an extraordinary meeting of the Management Committee. The officer of the Management Committee shall convene and preside over the Management Committee meeting within 3 days after receiving the proposal.
- (VIII) Management Committee meetings shall be held only when more than half of the members of the Management Committee are present. A resolution made by the Management Committee must be approved by more than half of all members of the Management Committee. Each member of the Management Committee shall have one vote regarding the voting for resolutions of the Management Committee.
- (IX) The voting of the Management Committee's resolutions shall be conducted by open ballot. Provided that the members of the Management Committee can fully express their opinions, the Management Committee meetings can be held and resolutions can be made by way of facsimile which shall be signed by the members of the Management Committee attending the meeting.
- (X) The members of the Management Committee shall attend the Management Committee meetings in person. If the members of the Management Committee are unable to attend the meetings, they may appoint other members of the Management Committee in writing to attend the meeting on their behalf. The proxy form shall specify the name of the proxy, matters to be dealt with by proxy, scope of authorization and term of validity, and shall be signed or sealed by the member who has made the authorization. The authorized members of the Management Committee exercise the rights within the scope of authorization. For any member of the Management Committee who neither attend a meeting of the Management Committee nor appoint a proxy to attend, he/she shall be deemed to have given up his/her right to vote at the meeting.
- (XI) The Management Committee shall take minutes of the matters discussed at the meeting, which shall be signed by the members of the Management Committee present at the meeting.

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Article 12 Authorization to the Board by the Shareholders' General Meeting

The general meeting authorizes the Board to handle all matters in relation to the ESOP in full discretion, including but not limited to the following:

1. to authorize the Board to handle the establishment, modifications and termination of the ESOP;
2. to authorize the Board to make decisions on the extension and early termination of the ESOP;
3. to authorize the Board to handle all matters relating to the lock-up and unlocking of the shares purchased under the ESOP;
4. to authorize the Board to interpret the 2022 A Share Employee Stock Ownership Plan (Draft) of Hisense Home Appliances Group Co., Ltd.;
5. to authorize the Board to implement the ESOP, including but not limited to nominate candidates for the Management Committee;
6. to authorize the Board to make decisions on the participation of the ESOP in refinancing matters such as the placing of shares of the Company during the term of the ESOP;
7. to authorize the Board to change the ESOP's Participants and the determination criteria of the ESOP;
8. to authorize the Board to sign contracts and relevant agreements and documents related for the ESOP;
9. to authorize the Board, in the event of changes in the relevant laws, regulations and policies, to make corresponding amendments and enhancements to the ESOP according to the changes in the relevant laws, regulations and policies;
10. to authorize the Board to handle other matters necessary for the ESOP, expressly stipulated in the relevant documents to be exercised by the general meeting.

Such authorizations shall be valid from the date of approval at the general meeting of the Company until the date of completion of implementation of the ESOP.

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Article 13 Management Organization

Following the approval from the general meeting, the ESOP will be managed by the Company itself. Depending on the implementation of the ESOP, professional institutions with relevant qualifications may be engaged to provide consultation and management services for the ESOP.

CHAPTER 4 ALTERATION, TERMINATION AND DISPOSAL OF HOLDERS' INTERESTS UNDER THE ESOP

Article 14 Alteration of the ESOP

During the term of the ESOP, any amendment to the ESOP shall be subject to the approval of at least two-thirds of the units held by the Holders attending the Holders' Meeting and the consideration and approval of the Board of the Company.

Article 15 Termination of the ESOP

- (I) The ESOP will be terminated automatically upon its expiry.
- (II) When all shares held in the Company under the ESOP are sold or transferred to the Unit Holders, the ESOP may be terminated before its expiry.
- (III) The term of the ESOP may be extended by the Holders present at the Holders' Meeting holding at least two-thirds of the units and upon consideration and approval of the Board of the Company one month prior to the expiry of the ESOP, and the ESOP shall be terminated upon expiry of the extended period.

Article 16 Liquidation and Distribution of the ESOP

- (I) The Management Committee shall complete the liquidation of the ESOP 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.
- (II) During the term of the ESOP, the Management Committee may distribute cash from the capital account of the ESOP to the Holders in accordance with the authorization of the Holders' Meeting.

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Article 17 Rights Attached to the Shares Held by the ESOP and the Arrangements on the Possession, Use, Benefit and Disposal of the Rights of the Holders over the Shares

- (I) Holders of the ESOP are entitled to the asset income rights of the shares held by the ESOP according to their actual capital contribution. The corresponding shares obtained by the Holders through the ESOP shall be entitled to shareholders' rights (including dividend rights, rights issue, conversion of shares and other asset income rights).
- (II) During the term of the ESOP, except as otherwise provided by laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the ESOP held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal.
- (III) During the lock-up period, the Holders shall not request for distribution of interests under the ESOP.
- (IV) 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 ESOP due to holding the Company's 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.
- (V) Upon the expiry of the lock-up period of the ESOP and during the term of the ESOP, 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 ESOP after the unlocking date.
- (VI) Upon the expiry of the lock-up period of the ESOP and during the term of the ESOP, the Management Committee, in accordance with the authorization of the Holders' meeting, shall decide whether to distribute the income corresponding to the ESOP. Where a decision is made for distribution, 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.
- (VII) During the term of the ESOP, distribution may be made in each fiscal year when the underlying shares held by the ESOP 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 shares of the ESOP after deducting relevant taxes and fees and payables of the ESOP in accordance with the law.

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- (VIII) During the lock-up period, in the event of dividend payment by the Company, the cash dividends received by the ESOP for the shares of the Company held shall be credited to the monetary assets of the ESOP and shall not be distributed separately for the time being. Upon the expiry of the lock-up period of the ESOP 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 ESOP and during the term, in the event of a dividend payment by the Company, the cash dividends received by the ESOP for holding the shares of the Company shall be credited to the monetary assets of the ESOP.
- (IX) Upon occurrence of other unspecified events, the disposal method of the units of the ESOP held by the Holders shall be determined by the Holders' Meeting.
- (X) During the term of the ESOP, 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 of Directors for consideration of whether to participate and the specific plan of participation.

Article 18 Disposal of Holder's Interests

- (I) The Management Committee has the right to disqualify the Holder from participating in the ESOP in the event of the following circumstances:
1. the Holder resigns or resigns without authorization or quits from the original position due to personal reasons ("quitting from the original position" means a Holder leaves his/her current job to take up a position as a consultant, expert, teacher, etc., where his/her experience and expertise can be utilized, the same applies below) or is dismissed by the Company;
 2. the Holder refuses to renew the labor contract with the Company or its controlled subsidiaries upon expiration of the labor contract;
 3. the Company or its controlled subsidiaries does not renew the labor contract with the Holder upon expiration of the labor contract;
 4. the Holder's labor contract is terminated by the Company or its controlled subsidiaries due to his/her violation of laws, administrative regulations or rules and systems of the Company;
 5. the Holder becomes ineligible to participate in the ESOP due to reasons such as making a material mistake;
 6. material breaches of the rules and systems of the Company;
 7. other circumstances as determined by the Management Committee.

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Measures for handling: if the above 1-7 occurs, the Management Committee has the right to disqualify the Holder from participating in the ESOP and conduct the cancellation and withdrawal of the units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holder. Where there is still revenue after the return to the Holder, the revenue shall be returned to the Company.

Up to the date of disqualification of such Holder from participating in the ESOP by the Management Committee, the original Holders shall be entitled to the portion of cash proceeds already realized under the ESOP in proportion to the units he/she holds.

8. retirement: the Holder reaches the national retirement age and retires during the term;
9. death: the Holder passed away during the term;
10. loss of working capacity: the Holder loses working capacity during the term.

Measures for handling: if one of the above 8-10 occurs, the Holder's units of the ESOP will still be unlocked for the most recent unlocking period at the time and under the unlocking conditions originally set out, with the unlocking proportion determined by the Holder's period of employment in the corresponding performance year. After the unlocking date, the Management Committee has the right to disqualify the Holder from participating in the ESOP and conduct the cancellation and withdrawal of the unlocked units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be sold at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds plus the interest on bank deposits shall be returned to the Holder or his/her legal successors. Where there is still revenue after the return, the revenue shall be returned to the Company.

Up to the date of disqualification of such Holder from participating in the ESOP by the Management Committee, the original Holder shall be entitled to the portion of cash proceeds already realized under the ESOP in proportion to the units held by him/her.

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11. the Holder has caused damage to the Company and caused material adverse impact to the society due to violation of law and discipline;

Measures for handling: if the above 11 occurs, the Management Committee has the right to disqualify the Holder from participating in the ESOP and conduct the cancellation and withdrawal of the units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to the allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be sold at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holders. Where there is still revenue after the return to the Holder, the revenue shall be returned to the Company. The Management Committee has the right to recover the portion of cash proceeds already realized under the ESOP.

12. the Holder has caused material loss to the Company due to violation of non-compete restrictions and other major employment issues after termination of employment.

Measures for handling: if the above 12 occurs, the Management Committee has the right to recover the portion of cash proceeds already realized under the ESOP.

(II) Adjustments to the units of the Holders

Demotion or downgrading: a change in the Holder's duties for personal reasons during the term but still meeting the conditions of participation;

During the term, the Management Committee may adjust the units of the ESOP awarded to the Holder, including reduction and cancellation of units based on the relevant assessment of the Holder by the Company or changes in position/rank. The Management Committee has the right to conduct the reduction/cancellation and withdrawal of the units of the ESOP. The measure for handling the recovered units shall be determined by the Management Committee (including but not limited to the allocation of the recovered units to other eligible ESOP's Participants at an appropriate time or inclusion as reserved shares). Where the allocation of such portion is not completed during the term of the ESOP, the undistributed portion shall be sold at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holder. Where there is still revenue after the return to the Holder, the revenue shall be returned to the Company.

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Up to the date of disqualification of such Holder from participating in the ESOP by the Management Committee, the original Holder shall be entitled to the portion of cash proceeds already realized under the ESOP in proportion to the units held by him/her.

(III) Circumstances in which the Holder's interest will not be changed

- (1) Change in position: if the Holder's position is changed for organisational reasons but he/she still meets the conditions of participation during the term;
- (2) Quitting from the original position (organizational reasons): if the Holder quits from the original position due to organisational reasons but he/she still meets the conditions of participation during the term;

there will be no change to his/her interests in the ESOP during the term.

CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 19 The approval of the ESOP at the Board meeting and the general meeting of the Company neither implies that the Holders have the right to continue to serve at the Company, nor constitutes an undertaking of the Company regarding the term of employment of the employees. The employment relation between the Company and the Holders shall continue to be governed by the labor contract or employment agreement entered into between the Company and the Holders.

Article 20 Matters such as the finance, accounting treatment and taxation in relation to the implementation of the ESOP by the Company will be dealt with according to the relevant policies of finance, accounting and tax. Personal income tax payable by the employees as a result of the implementation of the ESOP will be borne by the employees themselves.

Article 21 The Board of the Company shall be responsible for the interpretation of these measures.

Article 22 These measures shall take effect on the date of consideration and approval by the general meeting of the Company.

Board of Directors of Hisense Home Appliances Group Co., Ltd.

30 December 2022