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**Haier Smart Home Co., Ltd.\***

**海爾智家股份有限公司**

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

**Stock Code: 6690**

**ANNOUNCEMENT**

**2023 A SHARE CORE EMPLOYEE STOCK OWNERSHIP PLAN  
AND  
2023 H SHARE CORE EMPLOYEE STOCK OWNERSHIP PLAN**

References are made to the announcement and the circular of Haier Smart Home Co., Ltd. (the “**Company**”) dated 25 May 2021 and 4 June 2021, respectively, in relation to, amongst other things, the A Share Core Employee Stock Ownership Plan (2021–2025) and the H Share Core Employee Stock Ownership Plan (2021–2025) (collectively, the “**2021–2025 ESOP**”).

On the meeting convened on 27 April 2023, the board of directors of the Company considered and approved the 2023 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) And Its Summary and 2023 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) And Its Summary. Three directors, namely LI Huagang, SHAO Xinzhi and GONG Wei, all being beneficiaries, have abstained from voting during the consideration and approval of the proposal. As the board of directors has been authorized to decide and approve, as necessary, matters relating to subsequent phases of the Employee Share Ownership Schemes from 2022 onwards at the 2020 Annual General Meeting of the Company when the 2021–2025 ESOP

were considered and approved, the 2023 A Share Core Employee Stock Ownership Plan and 2023 H Share Core Employee Stock Ownership Plan are therefore not subject to approval by the general meeting.

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

Qingdao, the PRC  
27 April 2023

*As at the date of this announcement, the executive directors of the Company are Mr. LI Huagang and Mr. GONG Wei; the non-executive directors are Mr. YU Hon To, David, Ms. Eva LI Kam Fun and Ms. SHAO Xinzhi; and the independent non-executive directors are Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi.*

\* *For identification purposes only*

**Annex**

**2023 A Share Core Employee Stock Ownership Plan**  
**Of**  
**Haier Smart Home Co., Ltd.**  
**(Draft)**

**April 2023**

# **2023 A Share Core Employee Stock Ownership Plan Of Haier Smart Home Co., Ltd. (Draft)**

## **Salient Points**

The terms used in this part shall have the same meaning set forth in the “Interpretation”.

1. The ESOP is formulated by the Company in accordance with the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, administrative regulations, rules, normative documents of China, as well as the Articles of Association of the Company and Draft ESOP for 2021–2025.
2. The ESOP follows the principle of the Company’s independent decision and employees’ voluntary participation, and in no event will employee be forced to participate in the ESOP through the ways such as apportionment and forced distribution.
3. Participants of the ESOP shall include the directors (except for independent directors, the same hereinafter), supervisors and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries. The total number of the Participants of the ESOP shall not exceed 2,400. The board of directors of the Company may authorize the Management Committee to adjust the list of employees participating in the ESOP and the distribution proportion according to the changes and assessment results of employees.
4. The source of funds of the ESOP shall be the incentive funds withdrawn by the Company in the amount of RMB565.50 million.
5. The source of shares of the ESOP shall be the repurchased A shares of the Company.
6. Duration, lock-up period and vesting period of the ESOP

The duration of the ESOP shall not exceed 60 months, calculated from the date when the Company announces that the Underlying Shares obtained in the last time are recorded to the ESOP. After the expiration of the duration, the ESOP shall be terminated, or may be extended after being approved by the board of directors.

The total number of shares held under those established and existing ESOPs (including H-share ESOP etc.) for each year shall not exceed 10% of the total amount of the Company's share capital, and the total number of shares corresponding to a single employee's share in the ESOPs (for each year) shall not exceed 1% of the total amount of the Company's share capital.

The ESOP shall establish a lock-up period of 12 months from the date of disclosure of the announcement on completion of transfer of the repurchased shares of the Company from the repurchase special account.

After the end of the lock-up period, the Participants of the ESOP shall be appraised according to the performance appraisal system of the Company. The appraisal period is two years, upon the expiration of the lock-up period of the ESOP, 40% and 60% of the corresponding Underlying Shares shall be vested to the Participants in two phases. The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period.

7. After the establishment of the ESOP, it shall be managed by the Company itself or entrusted to a third-party organization or managed by other methods permitted by laws and administrative regulations.
8. Shareholders holding more than 5% of the shares and the actual controller shall not participate in the ESOP.
9. The Company's directors, supervisors, senior officers and other Participants of the ESOP hereby voluntarily waive the voting rights and other rights on the shares they indirectly hold in the Company due to participation in the ESOP, and only reserve the dividend rights, investment income rights and other similar rights. Therefore, there is no concerted action arrangement, nor is there any concerted action plan, between the ESOP and the Company's directors, supervisors, senior officers and other Participants of the ESOP.
10. The financial and accounting treatment and taxation with respect to the Company's implementation of the ESOP shall be carried out in accordance with the relevant financial system, accounting standards and taxation system. Relevant personal income tax to be paid by the Participants due to the implementation of the ESOP shall be borne by the Participants themselves.
11. The implementation of the ESOP will not bring about a consequence that the equity structure of the Company does not meet the conditions for listing.
12. The ESOP shall be implemented after it is approved by the board of directors upon deliberation.

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## I. INTERPRETATION

Unless otherwise specified herein, the following terms or abbreviations shall have the following meanings when used herein:

|                                      |             |  |
|--------------------------------------|-------------|--|
| Company                              | refer(s) to | Haier Smart Home Co., Ltd.   |
| Draft ESOP for 2021–2025             | refer(s) to | A Share Core Employee Ownership Plan of Haier Smart Home Co., Ltd. (for Years 2021–2025) (Draft)   |
| ESOP                                 | refer(s) to | 2023 A Share Core Employee Ownership Plan of Haier Smart Home Co., Ltd. (Draft)  |
| Participants                         | refer(s) to | participators of the ESOP  |
| Senior Officer                       | refer(s) to | the president, vice president, secretary of the board of directors, chief financial officer and other personnel specified in the Articles of Association of the Company          |
| Remuneration and Appraisal Committee | refer(s) to | the Remuneration and Appraisal Committee under the board of directors of the Company   |
| Underlying Shares                    | refer(s) to | A share of the Company obtained for the ESOP by various ways   |
| Management Committee                 | refer(s) to | the Employee Stock Ownership Plan Management Committee of the ESOP   |
| Asset Management Institution         | refer(s) to | a third-party institution with asset management qualification required by laws and regulations and entrusted to provide asset management services under the ESOP                 |
| Asset Management ESOP                | refer(s) to | the asset management plan which is set up by the Asset Management Institution under the ESOP and which is specially used for core employee share vesting A shares of the Company |
| Company’s Shares                     | refer(s) to | A shares of the Company  |
| CSRC                                 | refer(s) to | China Securities Regulatory Commission   |

|                         |             |  |
|-------------------------|-------------|--|
| SFC                     | refer(s) to | Securities and Futures Commission of Hong Kong                           |
| SSE                     | refer(s) to | Shanghai Stock Exchange  |
| SEHK                    | refer(s) to | The Stock Exchange of Hong Kong Limited                                  |
| CSDC                    | refer(s) to | Shanghai Branch, China Securities Depository and Clearing Co., Ltd.      |
| Company Law             | refer(s) to | the Company Law of the People's Republic of China                        |
| Securities Law          | refer(s) to | the Securities Law of the People's Republic of China                     |
| Guiding Opinions        | refer(s) to | the Guiding Opinions on Pilot Implementation of ESOP by Listed Companies |
| Articles of Association | refer(s) to | the Articles of Association of Haier Smart Home Co., Ltd.                |
| RMB                     | refer(s) to | RMB yuan   |



## II. PURPOSE OF THE ESOP

- 1. To drive employees' entrepreneurship and innovation with "Rendanheyi", and promote the full implementation of the Company's IOT smart home ecological brand strategy**

The implementation of the ESOP can give full play to and mobilize the enthusiasm of employees, encourage employees to create value for users, and enhance the competitiveness of the Company. Meanwhile, the short-term or medium and long-term ESOP is conducive to drive employees to undertake the Company's development strategic objectives, and promote the Company to achieve industry leadership.

- 2. To enhance corporate governance mechanism and create shareholders' value**

Core management team and core employees' holding of shares or relevant interests of the Company through the ESOP is conducive to the improvement of the corporate governance structure of the Company, the realization of the linking of the interests of management, core employees and the Company with the interests of shareholders, and the establishment of benefit sharing and risk sharing mechanism between shareholders, employees and the Company, and thus helpful to enhance the value of the Company and shareholders.

- 3. To attract talents and innovate the remuneration management system of the Company**

The implementation of the ESOP is conducive to further improve the Company's remuneration incentive system and incentive and restraint mechanism. An open platform supporting first-class human resources can better attract entrepreneurial teams, motivate the operation and management backbone, core technology (business) talents and other key talents needed by the Company, so as to better advance the development of the Company.

## III. BASIS FOR DETERMINING THE PARTICIPANTS AND SCOPE OF THE ESOP

Participants of the ESOP shall be determined based on the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, regulations, rules, normative documents of China and the Articles of Association of the Company.

Participants of the ESOP shall be the directors (except for independent directors), supervisors and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries. In addition, the ESOP implemented by the Company follows the principle of employees' voluntary participation, and in no event will employee be forced to participate in the ESOP through the ways such as

apportionment and forced distribution. The Participants of the ESOP shall be responsible for their own profits and losses, bear their own risks, and have equal rights and interests with other investors.

The ESOP covers the Company and its subsidiaries, and the Participants should be the key personnel who play an important role in the overall performance and long-term development of the Company.

#### **IV. SOURCE OF FUNDS**

The source of funds of the ESOP shall be the incentive fund withdrawn by the Company in the amount of RMB565.50 million.

#### **V. SOURCE AND NUMBER OF SHARES**

##### **(I) Source of the ESOP shares**

The source of shares for the ESOP shall be the repurchased shares of the Company in the repurchase special account. If the Company adopts the ways of allotment of shares for financing, the ESOP shall have the right to participate in the subscription fairly.

##### **(II) Number of Underlying Shares involved in the ESOP**

The total amount of funds to be withdrawn for the ESOP shall be RMB565.50 million, and the shares shall be sourced from the repurchased shares of the Company in the repurchase special account. The transfer price of such shares shall be determined according to the average price of all the shares repurchased in the Securities Account (the average price shall be determined according to the total price of shares repurchased in the Securities Account divided by the total number of shares in the Securities Account), and the specific quantity shall be determined according to the average transaction price of the shares repurchased at that time. The ESOP will obtain shares of the Company held in the Securities Account through non-trading transfer and other legal and regulatory means.

The ESOP shall be independent of other ESOP, but the total number of shares held by each established and existing ESOP (including H share ESOP etc.) shall not exceed 10% of the total share capital of the Company, and the total number of shares corresponding to a single employee's share in the ESOPs (for each year) shall not exceed 1% of the total amount of the Company's share capital. The total number of shares held by the ESOP shall not include the shares acquired by the Participants before the IPO of the Company, and the shares purchased by the Participants from the secondary market and the shares acquired through equity incentive.

## **VI. STATUS OF THE PARTICIPANTS AND SHARES ALLOCATION**

Participants of the ESOP shall include the directors (except for independent directors), supervisors and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries.

There should be no more than 2,400 employees participating in the ESOP. The total amount of funds to be used to participate in the ESOP shall be RMB565.50 million (inclusive), with “shares” as the subscription unit, and each share is RMB1. There are 14 directors, supervisors and senior officers, including LI Huagang, SHAO Xinzhi, GONG Wei, LIU Dalin, MA Yingjie, YU Miao, XIE Juzhi, LI Pan, ZHAO Yanfeng, LI Yang, SONG Yujun, GUAN Jiangyong, WU Yong, LIU Xiaomei, with a total share of RMB31.42 million, accounting for 5.6% of the ESOP. There are 2,386 core technical (business) personnel of the Company and its subsidiaries, with a total share of RMB534.08 million, accounting for 94.4% of the ESOP.

## **VII. DURATION, LOCK-UP PERIOD, VESTING PERIOD AND CHANGE AND TERMINATION OF THE ESOP**

### **(I) Duration of the ESOP**

The duration of the ESOP shall not exceed 60 months, calculated from the date when the Company announces that the Underlying Shares obtained in the last time are recorded to the ESOP. After the expiration of the duration, the ESOP shall be terminated, or may be extended after being approved by the board of directors.

### **(II) Lock-up period of the Underlying Shares under the ESOP**

1. The ESOP shall establish a lock-up period of 12 months from the date of disclosure of the announcement on completion of transfer of the repurchased shares of the Company from the repurchase special account.
2. In case the Company changes capital reserve to increase its share capital, distributes share dividends and refinances during the lock-up period, any and all shares newly acquired by the ESOP due to holding the Company's shares shall be locked as well, and cannot be sold or otherwise disposed in the secondary market. The lock-up period of such new shares shall be the same as that of the corresponding shares.

### **(III) Vesting of the ESOP**

After the end of the lock-up period, the Management Committee shall appraise the Participants according to the performance appraisal system of the Company. The appraisal period is two years. During the duration of the ESOP, the Management Committee shall have the right to extend or shorten the appraisal period and adjust the corresponding proportion of vesting.

The Underlying Shares of the ESOP will be vested to the Participants in two phases. After the end of the lock-up period of the ESOP, the corresponding Underlying Shares shall be vested to the Participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the locking-in period. In order to encourage all the appraisees to focus on their objectives, create business value-added and promote the implementation of the Company's IOT smart home strategy, the appraisal indicators under the ESOP as follows:

1. Where the Participants under the ESOP are the directors, president, supervisors and platform personnel of the Company, the appraisal rules for 2023 and 2024 are based on a weighted average of the completion rate of the compound growth rate of net profit attributable to the parent company after non-recurring items and the completion rate of return on equity (hereinafter "Comprehensive Completion Rate"). The specific appraisal objectives and rules are as follows:

|  | <b>Net profit attributable to the parent company after non-recurring items</b>  | <b>Return on equity (Note)</b>  |
|--|---|---|
| <b>Performance appraisal indicators for 2023</b> | Growth rate of audited net profit attributable to the parent company after non-recurring items for 2023 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive) | Audited return on equity (ROE) for 2023 not less than 16.8% (inclusive) |

|  | <b>Net profit attributable to the parent company after non-recurring items</b>   | <b>Return on equity (Note)</b>  |
|--|--|---|
| <b>Performance appraisal indicators for 2024</b> | Compound growth rate of audited net profit attributable to the parent company after non-recurring items for 2024 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive) | Audited return on equity (ROE) for 2024 not less than 16.8% (inclusive) |
| <b>Appraisal weighting</b>                       | 50%  | 50%   |

*Note:* Return on equity (ROE) refers to the weighted average return on equity. If the Company raises fund through capital market such as a public offering or issuance of shares to specific targets during the term of the ESOP that may have an impact on the Company's net assets and ROE, the impact of such actions shall be excluded from the calculation of ROE attributable to shareholders of the listed company for each appraisal year, and the appraisal indicators in relation to ROE in each year's appraisal criteria shall be adjusted accordingly. The details of the adjustment plan will be considered by the Remuneration and Appraisal Committee and submitted to the board of directors for approval before implementation.

**Comprehensive Completion Rate** = 50%\*completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items + 50%\*completion rate of return on equity

Of which:

**Completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items** = compound growth rate of audited net profit attributable to the parent company after non-recurring items for the year over net profit attributable to the parent company after non-recurring items for 2022/15%

**Completion rate of return on equity** = audited return on equity for the year/16.8%

(1) Appraisal indicators and vesting for 2023

If the results of the Management Committee's appraisal of such Participants in 2023 are up to the standard, and the Comprehensive Completion Rate in 2023 is more than 1 (inclusive), 40% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1:  
① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 40% of the Underlying Shares under the ESOP will not be vested.

(2) Appraisal indicators and vesting for 2024

If the results of the Management Committee's appraisal of such Participants in 2024 are up to the standard, and the Comprehensive Completion Rate in 2024 is more than 1 (inclusive), 60% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1:  
① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 60% of the Underlying Shares under the ESOP will not be vested.

2. Where the Participants under the ESOP are the persons other than those mentioned in item 1 above, 40% and 60% of the interests of the Underlying Shares under the ESOP shall be vested respectively if the results of the Management Committee's appraisal in 2023 and 2024 are up to the standard.

#### **(IV) Change of the ESOP**

During the duration, changes to the ESOP must be approved by more than two-thirds (inclusive) of the shares held by the Participants attending the Participants' meeting, and submitted to the Company's board of directors for review and approval.

#### **(V) Termination of the ESOP**

1. The ESOP shall automatically terminate at the expiration of the duration, unless such duration is extended by the resolution of the board of directors;
2. When all the assets of the ESOP are monetary funds after the end of the lock-up period of the ESOP, the ESOP can be early terminated;
3. In case of serious business difficulties or other major matters of the Company, the ESOP may be terminated by resolution of the board of directors.

**(VI) During the duration of the ESOP, when the Company finances by means of allotment, issuance and convertible bonds, the Management Committee shall decide the funding solutions and whether to participate in the same, and submit it to the meeting of the Participants for deliberation.**

### **VIII. VESTING AND DISPOSAL OF THE INTERESTS OF THE SHARES UNDER THE ESOP**

- (I) After the end of the lock-up period of the ESOP, the Participants shall be appraised according to the Company's performance appraisal mechanism during the vesting period. If the appraisal is qualified and the conditions for vesting are met, one of the following treatment methods can be selected after an application is submitted by the Management Committee:
1. The Management Committee applies to the CSDC to vest the shares to the individual accounts of the Participants;
  2. To entrust the Management Committee to sell the Underlying Shares purchased for the ESOP during the duration of the ESOP;
  3. To entrust the Management Committee to continue to hold the Underlying Shares during the duration of the ESOP;

The vesting period under the ESOP is two years, the proportion of the interest of the Underlying Shares corresponding to each vesting period shall be determined by the Management Committee.

(II) Vesting of the interests of the shares under the ESOP

During the duration, the dividend of the shares under the ESOP shall be owned by the ESOP, and shall be firstly used to pay relevant management fees (if any) charged by the Asset Management Institution and the custodian bank. For the shares without objects to be vested due to the unqualified performance appraisal and employee's dismissal, the Management Committee shall decide to vest the interests of the Underlying Shares to the Company or use it to encourage other employees with greater contribution.

(III) Before the Management Committee makes a decision on vesting, the shares or interests of the ESOP granted to but not vested to the Participants shall not be transferred, withdrawn or used for mortgage, pledge, guarantee and repayment of debts; otherwise, the corresponding act shall be invalid.

(IV) After the Management Committee makes a decision on vesting, if the Management Committee is obliged to withhold relevant taxes and fees according to laws and regulations, the shares or interests of the ESOP granted to but not vested to the Participants shall be distributed after the Management Committee withholds the said taxes and fees according to law.

(V) The ESOP shall strictly abide by the market trading rules, and the regulations on non-trading of shares during the information sensitive period. No party shall use the ESOP to conduct insider trading, market manipulation and other securities fraud. Unless otherwise provided by the CSRC, the stock exchange in the place where the Company's shares are listed and other regulatory bodies, the ESOP shall not trade the Company's shares during the following periods:

1. the period from the 60th day before the meeting of the board of directors of the Company where the annual report is deliberated to the date of disclosure of annual report (including the first and last two days);
2. the period from the 30th day before the meeting of the board of directors of the Company where the quarterly report or semi-annual report is deliberated to the date of disclosure of quarterly report or semi-annual report (including the first and last two days);
3. Within 10 days before the announcement of the Company's earnings preannouncement and preliminary earnings estimate (including the first and last two days);



The period mentioned in the items 1–3 above shall include the period during which the Company delays the announcement of its earnings;

4. the period from the date of occurrence of major events that may have a major impact on the trading price of the Company's shares and their derivatives or the date of entry into decision-making procedures to the date of disclosure in accordance with law;
5. Other periods prescribed by the relevant laws, regulations and rules applicable to the Company, as well as those stipulated by the CSRC and the stock exchange where the Company's shares are listed and other regulatory bodies.

## **IX. PARTICIPANTS' MEETING, RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE, CONVENING AND VOTING PROCEDURES**

The highest internal management authority of the ESOP is the Participants' meeting. The Management Committee shall be responsible for the daily management of the ESOP and exercise shareholders' rights on behalf of the ESOP Participants or authorize the Asset Management Institution to exercise shareholders' rights.

### **(I) Participants' meeting**

1. A Participants' meeting shall be held for deliberation on the following:
  - (1) Election, removal or replacement of members of the Management Committee;
  - (2) Major material adjustments to the ESOP;
  - (3) Decision on whether to participate in the refinancing of the Company by rights offering, additional issuance, convertible bonds and other relevant matters;
  - (4) Other functions and powers that may be exercised by the ESOP Participants' meeting as stipulated by laws and regulations or the CSRC and the stock exchange in the place where the Company's securities are listed and relevant competent authorities and other regulatory authorities.
2. The first Participants' meeting of the ESOP shall be convened and presided over by the chairman of the board of directors or his authorized person of the Company. After the directors of the Management Committee of the ESOP is elected and appointed, Participants' meetings shall be convened by the Management Committee and presided over by the director of the Management Committee. If the director of the Management Committee is unable to perform his duties, he shall designate a member of the Management Committee to preside over the meetings.

3. To hold a Participants' meeting, the Management Committee shall submit a written notice of the meeting to all Participants by direct service, mail, fax, e-mail or other means 3 days in advance. In case of emergency, the meeting can be held at any time after the notice is given. The written notice of the meeting shall contain at least the following:
  - (1) Time and place of the meeting;
  - (2) Way to hold the meeting;
  - (3) Matters to be deliberated;
  - (4) Convener and chairman of the meeting;
  - (5) Materials necessary for voting at the meeting;
  - (6) The Participants shall attend the meeting in person or entrust other Participants to attend the meeting on their behalf;
  - (7) Contact person and contact information;
  - (8) Date on which the notice is given.
4. Voting procedure
  - (1) The Participants shall exercise their voting rights with their ESOP shares, and each share shall have one vote. The Participants shall vote by open ballot at the meeting;
  - (2) A Participants' meeting may be an on-site meeting or a communication meeting;
  - (3) The Participants may cast approving or opposing votes or abstain from voting. The Participants attending the meeting shall choose one of such voting intentions. Not making a choice or choosing two or more intentions at the same time shall be regarded as abstention. An unfilled, inaccurately filled, illegible or uncast vote shall be regarded as abstention vote. If the Participants vote after the result of voting is announced by the chairman of the meeting or after the expiry of the prescribed time limit for voting, the votes shall not be counted;
  - (4) The chairman of the meeting shall announce the result of voting on the spot. Unless otherwise stipulated by the Participants' meeting and the ESOP, each proposal shall be valid only if approved by more than half of the valid voting rights held by the Participants (or agents) present at the Participants' meeting.

5. If the matters to be deliberated at the Participants' meeting shall be submitted to the board of directors and the general meeting of shareholders of the Company for deliberation, they shall be submitted to the board of directors and the general meeting of shareholders for deliberation in accordance with the Articles of Association of the Company.
6. Participants who individually or collectively hold 10% (inclusive) or more of the ESOP shares may submit to the Participants' meeting an interim proposal, which must be submitted to the Management Committee 5 days prior to the holding of the Participants' meeting.
7. Participants who individually or collectively hold 30% (inclusive) or more of the ESOP shares may propose to hold a Participants' meeting.

## **(II) Management Committee**

1. The Management Committee shall be elected by the Participants' meeting. The Management Committee consists of three to five members. In case of any change of the members of the Management Committee, they shall be re-elected by the Participants' meeting and approved by more than half of the valid voting rights held by the Participants (or agents) present at the Participants' meeting.
2. The Management Committee shall have a director who shall be elected by more than half of the members of the Management Committee.
3. The Management Committee shall perform the following duties:
  - (1) Convene a Participants' meeting;
  - (2) Supervise the daily management of the ESOP on behalf of all Participants;
  - (3) Exercise shareholders' rights on behalf of all Participants or authorize the Asset Management Institution to exercise shareholder' rights;
  - (4) Examine and determine the qualifications, scope, number and limit of participants according to the ESOP;
  - (5) Formulate and revise management measures for the ESOP;
  - (6) Determine the interests (shares) of the Participants according to the assessment results of the Company;
  - (7) Cooperate with the Asset Management Institution of the ESOP for their selection and handover work (if any);

- (8) Handle all matters concerning the locking, release and vesting of the shares purchased under the ESOP;
  - (9) Be responsible for the ESOP financing method, amount and other matters related to the ESOP financing;
  - (10) Perform the duty of the ESOP asset management, if the ESOP is self-managed, the Management Committee, as the management party, is responsible for the daily management of the ESOP (including but not limited to reducing shares of the Company held under the ESOP after the end of the lock-up period, and allocating income and cash assets to Participants).The Management Committee can entrust its duty of the asset management to a third party for management (such as the selection of the Asset Management Institution), including but not limited to selling the Company's Shares to cash in upon expiration of the lock-up period, and investing cash assets of the ESOP in fixed income securities, financial products, money market funds and other cash management tools;
  - (11) Formulate and implement plans for refinancing by additional issuance, rights offering or issuance of convertible bonds within the duration of the ESOP;
  - (12) Authorize the director of the Management Committee to exercise the shareholder' rights of the shares held in the ESOP before the liquidation and distribution of the ESOP are completed;
  - (13) Determine the allocation of the ESOP assets;
  - (14) Perform such other duties as may be authorized by the Participants' meeting.
4. The director of the Management Committee shall exercise the following functions and powers:
- (1) Preside over the Participants' meetings and convene and preside over meetings of the Management Committee;
  - (2) Supervise and inspect the implementation of the resolutions of the Participants' meetings and the Management Committee;
  - (3) Exercise shareholders' rights on behalf of all Participants with authorization by the Management Committee;
  - (4) Sign relevant agreements and contracts on behalf of the ESOP;

- (5) Exercise other functions and powers granted by the Management Committee.
5. The meetings of the Management Committee shall be held from time to time according to the need, and shall be convened by the director of the Management Committee unless otherwise provided for in the ESOP. Notice of the meeting shall be given to all members of the Management Committee 2 days prior to the meeting. In case of emergency, the members may be notified of a meeting of the Management Committee orally. Such notice may be given by mail, telephone, fax, etc.
6. The meetings of the Management Committee shall be held only when more than half of the members are present. The system of one person one vote shall be adopted at the meetings of the Management Committee. The resolutions of the meetings shall be valid only if approved by more than half of the members of the Management Committee. Subject to the full expression of views by the members of the Management Committee, E-mail or other means may be used, and a resolution shall be made and signed by members present.
7. The meetings of the Management Committee shall be attended by the members in person. If a member of the Management Committee cannot attend for some reason, he may entrust another member in writing to attend on his behalf. Failure to attend a meeting of the Management Committee and authorize a representative to attend shall be deemed to a waiver of the right to vote at the meeting.
8. The Management Committee shall make resolutions on the matters discussed at the meetings, and the resolutions shall be signed by members of the Management Committee.

## **X. MANAGEMENT MODE, SELECTION OF ASSET MANAGEMENT INSTITUTION, AND MANAGEMENT AGREEMENT**

### **(I) Management mode and Selection of Asset Management Institution of the ESOP**

The ESOP can be self-managed, or it can be entrusted to a professional institution with asset management qualifications (hereinafter referred to as “Asset Management Institution”) to manage. If the ESOP is self-managed, the Management Committee, as the management party, is responsible for the daily management of the ESOP (including but not limited to reducing shares of the Company held under the ESOP after the end of the lock-up period, and allocating income and cash assets to Participants); if the ESOP entrusts an Asset Management Institution to carry out investment operations and daily management, the Participants’ meeting of the ESOP or Management Committee will select an appropriate Asset Management Institution to

manage the ESOP, and the management fee, custody fee and other related expenses will be paid by the Company, subject to the relevant final agreement signed.

The Management Committee or Asset Management Institution shall manage the ESOP in accordance with relevant laws, regulations and the agreement of the ESOP to ensure that the ESOP purchases and holds the Underlying Shares in a manner permitted by laws and regulations.

The shares and funds held by the ESOP shall be the entrusted property, and the Asset Management Institution of the ESOP shall not include the entrusted property as its self-owned assets. Where the Asset Management Institution of the ESOP is liquidated for reasons such as dissolution, cancellation or bankruptcy according to law, the entrusted property shall not belong to the liquidating property.

**(II) The main terms of the management agreement (of any) must contain the following:**

1. Name of the Asset Management ESOP
2. Type
3. Entrustment of assets
4. Investment of entrusted assets
5. Rights and obligations of the client
6. Special risk warning
7. Management fee, custodian fee and other related expenses
8. Liquidation and termination of the Asset Management ESOP
9. Others

**XI. MAIN PROVISIONS OF THE MANAGEMENT RULES**

- (I) The ESOP can be self-managed, or it can be entrusted to a professional institution with asset management qualifications (hereinafter referred to as “Asset Management Institution”) to manage. If the ESOP is self-managed, the Management Committee, as the management party, is responsible for the daily management of the ESOP (including but not limited to reducing shares of the Company held under the ESOP after the end of the lock-up period, and allocating income and cash assets to Participants); If the ESOP entrusts an Asset Management Institution to carry out investment operations and daily management, the Participants’ meeting of the ESOP or Management

Committee will select an appropriate Asset Management Institution to manage the ESOP, and the management fee, custody fee and other related expenses will be paid by the Company, subject to the relevant final agreement signed.

- (II) The Management Committee or Asset Management Institution shall manage the ESOP in accordance with relevant laws, regulations and the agreement of the ESOP to ensure that the ESOP purchases and holds the Underlying Shares in a manner permitted by laws and regulations.

In case of any change of the members of the Management Committee, they shall be re-elected by the Participants' meeting.

(III) Composition of the ESOP assets

1. Underlying Shares;
2. Cash deposits and accrued interest;
3. Income from fund management or other assets without vesting objects for various reasons such as employee turnover and assessment.

Assets under the ESOP shall be independent of other ESOPs and the assets of the Company and the Asset Management Institution. The Company, the Asset Management Institution and their creditors shall have no right to freeze, detain, pledge or otherwise dispose of the assets under the ESOP.

(IV) Measures for disposing of the ESOP assets

1. Within the duration of the ESOP, unless otherwise stipulated by laws, regulations, rules and management rules, or approved by the Participants' meeting after deliberation, the ESOP shares held by the Participants shall not be transferred, pledged, or otherwise disposed of in similar manner. The Participants shall not require distribution of the ESOP assets.
2. Upon the expiration of the lock-up period of the ESOP and prior to the expiration of the duration of the ESOP, the Asset Management Institution shall sell the Underlying Shares held in the ESOP or determine the vesting of relevant shares according to the written authorization of the Management Committee.
3. When all the assets of the ESOP are monetary funds after the end of the lock-up period of the ESOP, the Management Committee shall decide whether to allocate the assets. If it is decided to allocate the assets, the Management Committee shall authorize the Asset Management Institution to allocate according to the shares held by the Participants.

If all the Underlying Shares held by the ESOP are sold and the ESOP assets are liquidated and allocated completely according to the provisions of the preceding paragraph, the ESOP shall be terminated after approved by the Management Committee and reported to the board of directors for record.

4. If the duration of the ESOP expires and is not extended, the Management Committee shall or shall authorize the Asset Management Institution to liquidate the ESOP assets and make cash or share allocations according to the shares held by the Participants.

## **XII. PROCEDURES FOR IMPLEMENTING THE ESOP**

- (I) The Remuneration and Appraisal Committee under the board of directors shall be responsible for the preparation of the ESOP and the list of the ESOP personnel.
- (II) The congress of workers and staff shall solicit opinions from the staff.
- (III) The board of directors shall review the ESOP and relevant proposals. The independent directors shall give independent opinions on whether the ESOP is conducive to the sustainable development of the Company, whether it damages the interests of the Company and all shareholders, and whether the employees are forced to participate in the ESOP by ways of apportion or forced allocation.
- (IV) The board of supervisors shall express opinions on whether the ESOP is conducive to the sustainable development of the Company, whether it damages the interests of the Company and all shareholders, and whether the employees are forced to participate in the ESOP by ways of apportion or forced allocation.
- (V) The Company shall engage a law firm to issue legal opinions on the legality and compliance of the ESOP.
- (VI) The board of directors shall, after reviewing and approving the ESOP, promptly publish relevant documents concerning the ESOP.
- (VII) A Participants' meeting shall be held to elect the Management Committee and define the specific matters concerning the implementation of the ESOP.
- (VIII) Other procedures to be fulfilled as stipulated by the CSRC, the stock exchange in the place where the Company's securities are listed and the relevant competent authorities.



### **XIII. DISPOSAL MEASURES WHEN THE CIRCUMSTANCES OF THE COMPANY AND THE PARTICIPANTS CHANGE**

#### **(I) Change of control, merger or split of the Company**

In the event of change of control, merger or split of the Company for any reason, the ESOP shall not be changed.

#### **(II) Failure of the Participants to pass the assessment**

During the vesting period, the Participants shall be assessed for each vesting period. The Management Committee shall dispose of the ESOP shares held by the Participants who fail to pass the assessment (including but not limited to granting to other Participants, the same below).

#### **(III) Position change, departure or death of the Participants**

##### ***1. Position change***

- (1) If a Participant is still a director (other than independent director), supervisor, senior officers or core technical (business) personnel of the Company when his position is changed, or is assigned by the Company to a subsidiary of the Company, the relevant ESOP shares can be adjusted accordingly, and in principle, the ESOP shares granted but not vested shall not be increased.
- (2) If a Participant's position is changed due to his incompetence, failure to pass the assessment, violation of law, violation of professional ethics, disclosure of company secrets, dereliction of duty or malpractice and other behaviors that damage the interests or reputation of the Company, the Management Committee shall dispose of the ESOP shares granted but not vested.

##### ***2. Departure***

Except in the case of departure due to reaching the retirement age, regardless of the reasons for departure, the Management Committee shall dispose of the ESOP shares granted to but not vested in the Participants from the date of departure, including but not limited to vesting the shares in the Participants based on their actual contributions, or taking back the ESOP shares granted but not vested for disposal by the Management Committee.

##### ***3. Retirement***

If a Participant has reached the retirement age prescribed by the state and the Company and has retired from his job,

- (1) his ESOP shares granted but not vested shall not be affected provided that he passed the performance assessment in the year of his departure and accepted the Company's restrictions on non-competition; his

shares granted but not vested shall be fully vested in the first vesting period provided that the time of his retirement is within the lock-up period or the first vesting period.

- (2) the Management Committee shall dispose of his ESOP shares granted but not vested provided that he failed to pass the performance assessment in the year of his departure.

#### **4. *Loss of ability to work***

Where a Participant loses the ability to work due to an injury sustained in the performance of his duties, his ESOP shares granted but not vested shall not be affected. Otherwise, the Management Committee shall dispose of the ESOP shares granted but not vested.

#### **5. *Death***

In the event of the death of a Participant on the job, his ESOP shares granted but not vested shall not be affected, and the relevant interests shall be enjoyed by his legal successors. If it occurs during the lock-up period or the first vesting period, the shares granted but not vested shall be fully vested in his legal successors during the first vesting period. Otherwise, the Management Committee shall dispose of the ESOP shares granted but not vested.

### **XIV. SUPPLEMENTARY PROVISIONS**

1. The financial and accounting treatment and taxation with respect to the Company's implementation of the ESOP shall be carried out in accordance with the relevant financial system, accounting standards and taxation system. Relevant personal income tax to be paid by the Participants due to the implementation of the ESOP shall be borne by the Participants themselves;
2. The ESOP shall take effect from the date of deliberation and approval by the board of directors of the Company;
3. The board of directors of the Company reserves the right to interpret the ESOP.

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

April 27, 2023

**2023 H Share Core Employee Stock  
Ownership Plan  
of  
Haier Smart Home Co., Ltd.  
(Draft)**

**April 2023**

# **2023 H Share Core Employee Stock Ownership Plan Of Haier Smart Home Co., Ltd. (Draft)**

## **Salient Points**

The terms used in this part shall have the same meaning set forth in the “Interpretation”.

1. The ESOP is formulated by the Company in accordance with the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, administrative regulations, rules, normative documents of China, as well as the Articles of Association of the Company and Draft ESOP for 2021–2025.
2. The ESOP follows the principle of the Company’s independent decision and employees’ voluntary participation, and in no event will employee be forced to participate in the ESOP through the ways such as apportionment and forced distribution.
3. Participants of the ESOP shall include the directors (except for independent directors, the same hereinafter) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries. The total number of the Participants of the ESOP shall not exceed 34. The board of directors of the Company may authorize the Management Committee to adjust the list of employees participating in the ESOP and the distribution proportion according to the changes and assessment results of employees.
4. The source of funds of the ESOP shall be the incentive funds withdrawn by the Company in the amount of RMB70.50 million.
5. The source of shares of the ESOP shall be H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect.
6. Duration, lock-up period and vesting period of the ESOP

The duration of the ESOP shall not exceed 60 months, calculated from the date when the Company announces that the last of Underlying Shares obtained are recorded to the ESOP. After the expiration of the duration, the ESOP shall be terminated, or may be extended after being approved by the board of directors.

The total number of shares held under those established and existing ESOPs (including A share ESOP etc.) shall not exceed 10% of the total amount of the Company's share capital, and the total number of shares corresponding to a single employee's share in the ESOPs (for each year) shall not exceed 1% of the total amount of the Company's share capital.

Where the lock-up period of the Underlying Shares acquired under the ESOP is the Underlying Shares purchased through the secondary market or by means of allotment of shares, the lock-up period is 12 months, calculated from the date when the Company announces that the last of Underlying Shares purchased are recorded in the ESOP.

After the end of the lock-up period, the Participants of the ESOP shall be assessed according to the performance assessment system of the Company. The assessment period is for two years, and upon the expiration of the lock-up period of the ESOP, 40% and 60% of the corresponding Underlying Shares shall be vested to the Participants in two phases. The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period.

7. If the Underlying Shares are purchased from the secondary market, the purchase shall be completed within 6 months after it is approved by the board of directors.
8. After the establishment of the ESOP, it shall be managed by the Company itself or entrusted to a third-party organization or managed by other methods permitted by laws and administrative regulations.
9. Shareholders holding more than 5% of the shares and the actual controller shall not participate in the ESOP.
10. The Company's directors, senior officers and other Participants of the ESOP hereby voluntarily waive the voting rights and other rights on the shares they indirectly hold in the Company due to participation in the ESOP, and only reserve the dividend rights, investment income rights and other similar rights. Therefore, there is no concerted action arrangement, nor is there any concerted action plan, between the ESOP and the Company's directors, senior officers and other Participants of the ESOP.
11. The financial and accounting treatment and taxation with respect to the Company's implementation of the ESOP shall be carried out in accordance with the relevant financial system, accounting standards and taxation system. Relevant personal income tax to be paid by the Participants due to the implementation of the ESOP shall be borne by the Participants themselves.

12. The implementation of the ESOP will not bring about a consequence that the equity structure of the Company does not meet the conditions for listing.
13. The ESOP shall be implemented after it is approved by the board of directors upon deliberation.

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## I. INTERPRETATION

Unless otherwise specified herein, the following terms or abbreviations shall have the following meanings when used herein:

|                                       |             |   |
|---------------------------------------|-------------|---|
| Company                               | refer(s) to | Haier Smart Home Co., Ltd.  |
| Draft ESOP for 2021–2025              | refer(s) to | H Share Core Employee Ownership Plan of Haier Smart Home Co., Ltd. (for Years 2021–2025) (Draft)  |
| ESOP                                  | refer(s) to | 2023 H Share Core Employee Ownership Plan of Haier Smart Home Co., Ltd. (Draft)   |
| Participants                          | refer(s) to | participants of the ESOP  |
| Senior Officer                        | refer(s) to | the president, vice president, secretary of the board of directors, chief financial officer and other personnel specified in the Articles of Association of the Company |
| Remuneration and Assessment Committee | refer(s) to | the Remuneration and Assessment Committee under the board of directors of the Company   |
| Underlying Shares                     | refer(s) to | H share of the Company obtained for the ESOP by various ways  |
| Management Committee                  | refer(s) to | the Employee Stock Ownership Plan Management Committee of the ESOP  |
| Asset Management Institution          | refer(s) to | a third-party institution with asset management qualification required by laws and regulations and entrusted to provide asset management services under the ESOP        |
| Asset Management ESOP                 | refer(s) to | the asset management plan which is set up by the Asset Management Institution under the ESOP and which is specially used for core employee share vesting                |
| Company’s Shares                      | refer(s) to | H shares of the Company   |
| CSRC                                  | refer(s) to | China Securities Regulatory Commission  |
| SFC                                   | refer(s) to | Securities and Futures Commission of Hong Kong  |



|                         |             |  |
|-------------------------|-------------|--|
| SSE                     | refer(s) to | Shanghai Stock Exchange  |
| SEHK                    | refer(s) to | The Stock Exchange of Hong Kong Limited                                  |
| CSDC                    | refer(s) to | Shanghai Branch, China Securities Depository and Clearing Co., Ltd.      |
| Company Law             | refer(s) to | the Company Law of the People's Republic of China                        |
| Securities Law          | refer(s) to | the Securities Law of the People's Republic of China                     |
| Guiding Opinions        | refer(s) to | the Guiding Opinions on Pilot Implementation of ESOP by Listed Companies |
| Articles of Association | refer(s) to | the Articles of Association of Haier Smart Home Co., Ltd.                |
| RMB                     | refer(s) to | RMB yuan   |

## **II. PURPOSE OF THE ESOP**

- 1. To drive employees' entrepreneurship and innovation with "Rendanheyi", and promote the full implementation of the Company's IOT smart home ecological brand strategy**

The implementation of the ESOP can give full play to and mobilize the enthusiasm of employees, encourage employees to create value for users, and enhance the competitiveness of the Company. Meanwhile, the short-term or medium and long-term ESOP is conducive to drive employees to undertake the Company's development strategic objectives, and promote the Company to achieve industry leadership.

- 2. To enhance corporate governance mechanism and create shareholders' value**

Core management team and core employees' holding of shares or relevant interests of the Company through the ESOP is conducive to the improvement of the corporate governance structure of the Company, the realization of the linking of the interests of management, core employees and the Company with the interests of shareholders, and the establishment of benefit sharing and risk sharing mechanism between shareholders and the Company, and thus helpful to enhance the value of the Company and shareholders.

- 3. To attract talents and innovate the remuneration management system of the Company**

The implementation of the ESOP is conducive to further improve the Company's remuneration incentive system and incentive and restraint mechanism. An open platform supporting first-class human resources can better attract entrepreneurial teams, motivate the operation and management backbone, core technology (business) talents and other key talents needed by the Company, so as to better advance the development of the Company.

## **III. BASIS FOR DETERMINING THE PARTICIPANTS AND SCOPE OF THE ESOP**

Participants of the ESOP shall be determined based on the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, regulations, rules, normative documents of China and the Articles of Association of the Company.

Participants of the ESOP shall be the directors (except for independent directors) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries. In addition, the ESOP implemented by the Company follows the principle of employees' voluntary participation, and in no event will employee be forced to participate in the ESOP through the ways such as apportionment and forced distribution. The Participants of the ESOP shall be responsible for their own profits and losses, bear their own risks, and have equal rights and interests with other investors.

The ESOP covers the Company and its subsidiaries, and the Participants should be the key personnel who play an important role in the overall performance and long-term development of the Company.

#### **IV. SOURCE OF FUNDS**

The funds to be used for participating the ESOP shall be sourced from the incentive funds drawn by the Company in the amount of RMB70.50 million.

#### **V. SOURCE AND NUMBER OF SHARES**

##### **(I) Source of the ESOP shares**

The source of shares of the ESOP shall be H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect. The ESOP shall complete the purchase of the Underlying Shares within 6 months after the approval of the board of directors.

##### **(II) Number of Underlying Shares involved in ESOP**

The total amount of funds to be used to participate in the ESOP shall be RMB70.50 million. In view of the uncertainty of the date and price of the shares actually purchased under the ESOP, the number of shares held by the ESOP is still uncertain.

The ESOP shall be independent of other ESOPs, but the total number of shares held by established and existing ESOP (including A share ESOP etc.) shall not exceed 10% of the total share capital of the Company, and the total number of shares corresponding to a single employee's share in the ESOPs (for each year) shall not exceed 1% of the total amount of the Company's share capital. The total number of shares held by the ESOP shall not include the shares acquired by the Participants before the IPO of the Company, and the shares purchased by the Participants from the secondary market and the shares acquired through equity incentive.

## **VI. STATUS OF THE PARTICIPANTS AND SHARES ALLOCATION**

Participants of the ESOP shall include the directors (except for independent directors) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries, totaling 34. The total amount of funds to be used to participate in the ESOP shall be RMB70.50 million (inclusive), with “shares” as the subscription unit, and each share is RMB1. There are 11 directors and senior officers, including LI Huagang, SHAO Xinzhi, GONG Wei, XIE Juzhi, LI Pan, ZHAO Yanfeng, LI Yang, SONG Yujun, GUAN Jiangyong, WU Yong, HUANG Xiao Wu, with a total share of RMB33.19 million, accounting for 47.1% of the ESOP. There are 23 other core management personnel of the Company, with a total share of RMB37.31 million, accounting for 52.9% of the ESOP.

## **VII. DURATION, LOCK-UP PERIOD, VESTING PERIOD AND CHANGE AND TERMINATION OF THE ESOP**

### **(I) Duration of the ESOP**

The duration of the ESOP shall not exceed 60 months, calculated from the date when the Company announces that the Underlying Shares obtained in the last time are recorded to the ESOP. After the expiration of the duration, the ESOP shall be terminated, or may be extended after being approved by the board of directors.

### **(II) Lock-up period of the Underlying Shares under the ESOP**

1. The lock-up period of the Underlying Shares under the ESOP shall be 12 months, calculated from the date when the Company announces that the Underlying Shares purchased in the last time are recorded in the ESOP.
2. In case the Company changes capital reserve to increase its share capital, distributes share dividends and refinances during the lock-up period, any and all shares newly acquired by the ESOP due to holding the Company's shares shall be locked as well, and cannot be sold or otherwise disposed in the secondary market. The lock-up period of such new shares shall be the same as that of the corresponding shares.

### **(III) Vesting of the ESOP**

After the end of the lock-up period, the Management Committee shall appraise the Participants according to the performance assessment system of the Company. The assessment period is for two years. During the duration of the ESOP, the Management Committee shall have the right to extend or shorten the assessment period and adjust the corresponding proportion of vesting.

The Underlying Shares of the ESOP will be vested to the Participants in two phases. After the end of the lock-up period of the ESOP, the corresponding Underlying Shares shall be vested to the Participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the locking-in period. In order to encourage all the appraisees to focus on their objectives, create business value-added and promote the implementation of the Company’s IOT smart home strategy, the assessment indicators under the ESOP are as follows:

1. Where the Participants under the ESOP are the directors, president, supervisors and platform personnel of the Company, the appraisal rules for 2023 and 2024 are based on a weighted average of the completion rate of the compound growth rate of net profit attributable to the parent company after non-recurring items and the completion rate of return on equity (hereinafter “Comprehensive Completion Rate”). The specific appraisal objectives and rules are as follows:

|  | <b>Net profit attributable to the parent company after non-recurring items</b>  | <b>Return on equity<br/>(Note)</b>                                      |
|--|---|---|
| <b>Performance appraisal indicators for 2023</b> | Growth rate of audited net profit attributable to the parent company after non-recurring items for 2023 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive) | Audited return on equity (ROE) for 2023 not less than 16.8% (inclusive) |

|  | <b>Net profit attributable to the parent company after non-recurring items</b>   | <b>Return on equity (Note)</b>  |
|--|--|---|
| <b>Performance appraisal indicators for 2024</b> | Compound growth rate of audited net profit attributable to the parent company after non-recurring items for 2024 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive) | Audited return on equity (ROE) for 2024 not less than 16.8% (inclusive) |
| <b>Appraisal weighting</b>                       | 50%  | 50%   |

*Note:* Return on equity (ROE) refers to the weighted average return on equity. If the Company raises fund through capital market such as a public offering or issuance of shares to specific targets during the term of the ESOP that may have an impact on the Company's net assets and ROE, the impact of such actions shall be excluded from the calculation of ROE attributable to shareholders of the listed company for each appraisal year, and the appraisal indicators in relation to ROE in each year's appraisal criteria shall be adjusted accordingly. The details of the adjustment plan will be considered by the Remuneration and Appraisal Committee and submitted to the board of directors for approval before implementation.

**Comprehensive Completion Rate** = 50%\*completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items + 50%\*completion rate of return on equity

Of which:

**Completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items** = compound growth rate of audited net profit attributable to the parent company after non-recurring items for the year over net profit attributable to the parent company after non-recurring items for 2022/15%

**Completion rate of return on equity** = audited return on equity for the year/16.8%

(1) Appraisal indicators and vesting for 2023

If the results of the Management Committee's appraisal of such Participants in 2023 are up to the standard, and the Comprehensive Completion Rate in 2023 is more than 1 (inclusive), 40% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1:  
① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 40% of the Underlying Shares under the ESOP will not be vested.

(2) Appraisal indicators and vesting for 2024

If the results of the Management Committee's appraisal of such Participants in 2024 are up to the standard, and the Comprehensive Completion Rate in 2024 is more than 1 (inclusive), 60% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1:  
① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 60% of the Underlying Shares under the ESOP will not be vested.

2. Where the Participants under the ESOP are the persons other than those mentioned in item 1 above, 40% and 60% of the interests of the Underlying Shares under the ESOP shall be vested respectively if the results of the Management Committee's assessment in 2023 and 2024 are up to the standard.

**(IV) Change of the ESOP**

During the duration, changes to the ESOP must be approved by more than two-thirds (inclusive) of the shares held by the Participants attending the Participants' meeting, and submitted to the Company's board of directors for review and approval.

**(V) Termination of the ESOP**

1. The ESOP shall automatically terminate at the expiration of the duration, unless such duration is extended by the resolution of the board of directors;
2. When all the assets of the ESOP are monetary funds after the end of the lock-up period of the ESOP, the ESOP can be early terminated;
3. In case of serious business difficulties or other major matters of the Company, the ESOP may be terminated by resolution of the board of directors.

**(VI) During the duration of the ESOP, when the Company finances by means of allotment, issuance and convertible bonds, the Management Committee shall decide the funding solutions and whether to participate in the same, and submit it to the meeting of the Participants for deliberation.**

**VIII. VESTING AND DISPOSAL OF THE INTERESTS OF THE SHARES UNDER THE ESOP**

- (I) After the end of the lock-up period of the ESOP, the Participants shall be appraised according to the Company's performance assessment mechanism during the vesting period. If the assessment is qualified and the conditions for vesting are met, one of the following treatment methods can be selected after an application is submitted by the Management Committee:
1. To entrust the Management Committee to sell the Underlying Shares purchased for the ESOP during the duration of the ESOP;
  2. To entrust the Management Committee to continue to hold the Underlying Shares during the duration of the ESOP;

The vesting period under the ESOP is two years, and the proportion of the interest of the Underlying Shares corresponding to each vesting period shall be determined by the Management Committee.



(II) Vesting of the interests of the shares under the ESOP

During the duration, the dividend of the shares under the ESOP shall be owned by the ESOP, and shall be firstly used to pay relevant management fees (if any) charged by the Asset Management Institution and the custodian bank. For the shares without objects to be vested due to the unqualified performance assessment and employee's dismissal, the Management Committee shall decide to vest the interests of the Underlying Shares to the Company or use it to encourage other employees with greater contribution.

(III) Before the Management Committee makes a decision on vesting, the shares or interests of the ESOP granted to but not vested to the Participants shall not be transferred, withdrawn or used for mortgage, pledge, guarantee and repayment of debts; otherwise, the corresponding act shall be invalid.

(IV) After the Management Committee makes a decision on vesting, if the Management Committee is obliged to withhold relevant taxes and fees according to laws and regulations, the shares or interests of the ESOP granted to but not vested to the Participants shall be distributed after the Management Committee withholds the said taxes and fees according to law.

(V) The ESOP shall strictly abide by the market trading rules, and the regulations on non-trading of shares during the information sensitive period. No party shall use the ESOP to conduct insider trading, market manipulation and other securities fraud. Unless otherwise provided by the CSRC, the SFC, the stock exchange in the place where the Company's shares are listed and other regulatory bodies, the ESOP shall not trade the Company's shares during the following periods:

1. the period from the 60th day before the meeting of the board of directors of the Company where the annual report is deliberated to the date of disclosure of annual report (including the first and last two days);
2. the period from the 30th day before the meeting of the board of directors of the Company where the quarterly report or semi-annual report is deliberated to the date of disclosure of quarterly report or semi-annual report (including the first and last two days);
3. Within 10 days before the announcement of the Company's earnings preannouncement and preliminary earnings estimate (including the first and last two days);

The period mentioned in the items 1–3 above shall include the period during which the Company delays the announcement of its earnings;

4. the period from the date of occurrence of major events that may have a major impact on the trading price of the Company's shares and their derivatives or the date of entry into decision-making procedures to the date of disclosure in accordance with law;
5. Other periods prescribed by the relevant laws, regulations and rules applicable to the Company, as well as those stipulated by the CSRC, and the stock exchange where the Company's shares are listed and other regulatory bodies.

## **IX. PARTICIPANTS' MEETING, RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE, CONVENING AND VOTING PROCEDURES**

The highest internal management authority of the ESOP is the Participants' meeting. The Management Committee shall be responsible for the daily management of the ESOP and exercise shareholders' rights on behalf of the ESOP Participants or authorize the Asset Management Institution to exercise shareholders' rights.

### **(I) Participants' meeting**

1. A Participants' meeting shall be held for deliberation on the following:
  - (1) Election, removal or replacement of members of the Management Committee;
  - (2) Major material adjustments to the ESOP;
  - (3) Decision on whether to participate in the refinancing of the Company by rights offering, additional issuance, convertible bonds and other relevant matters;
  - (4) Other functions and powers that may be exercised by the ESOP Participants' meeting as stipulated by laws and regulations or the CSRC, the SFC and the stock exchange in the place where the Company's securities are listed and other regulatory authorities.
2. The first Participants' meeting of the ESOP shall be convened and presided over by the chairman of the board of directors or his authorized person of the Company. After the directors of the Management Committee of the ESOP is elected and appointed, Participants' meetings shall be convened by the Management Committee and presided over by the director of the Management Committee. If the director of the Management Committee is unable to perform his duties, he shall designate a member of the Management Committee to preside over the meetings.

3. To hold a Participants' meeting, the Management Committee shall submit a written notice of the meeting to all Participants by direct service, mail, fax, e-mail or other means 3 days in advance. In case of emergency, the meeting can be held at any time after the notice is given. The written notice of the meeting shall contain at least the following:
  - (1) Time and place of the meeting;
  - (2) Way to hold the meeting;
  - (3) Matters to be deliberated;
  - (4) Convener and chairman of the meeting;
  - (5) Materials necessary for voting at the meeting;
  - (6) The Participants shall attend the meeting in person or entrust other Participants to attend the meeting on their behalf;
  - (7) Contact person and contact information;
  - (8) Date on which the notice is given.

#### 4. Voting procedure

- (1) The Participants shall exercise their voting rights with their current plan shares, and each share shall have one vote. The Participants shall vote by open ballot at the meeting;
- (2) A Participants' meeting may be an on-site meeting or a communication meeting;
- (3) The Participants may cast approving or opposing votes or abstain from voting. The Participants attending the meeting shall choose one of such voting intentions. Not making a choice or choosing two or more intentions at the same time shall be regarded as abstention. An unfilled, inaccurately filled, illegible or uncast vote shall be regarded as abstention vote. If the Participants vote after the result of voting is announced by the chairman of the meeting or after the expiry of the prescribed time limit for voting, the votes shall not be counted.
- (4) The chairman of the meeting shall announce the result of voting on the spot. Unless otherwise stipulated by the Participants' meeting and the ESOP, each proposal shall be valid only if approved by more than half of the valid voting rights held by the Participants (or agents) present at the Participants' meeting.

5. If the matters to be deliberated at the Participants' meeting shall be submitted to the board of directors and the general meeting of shareholders of the Company for deliberation, they shall be submitted to the board of directors and the general meeting of shareholders for deliberation in accordance with the Articles of Association of the Company.
6. Participants who individually or collectively hold 10% (inclusive) or more of the ESOP shares may submit to the Participants' meeting an interim proposal, which must be submitted to the Management Committee 5 days prior to the holding of the Participants' meeting.
7. Participants who individually or collectively hold 30% (inclusive) or more of the ESOP shares may propose to hold a Participants' meeting.

## **(II) Management Committee**

1. The Management Committee shall be elected by the Participants' meeting. The Management Committee consists of three to five members. In case of any change of the members of the Management Committee, they shall be re-elected by the Participants' meeting and approved by more than half of the valid voting rights held by the Participants (or agents) present at the Participants' meeting.
2. The Management Committee shall have a director who shall be elected by more than half of the members of the Management Committee.
3. The Management Committee shall perform the following duties:
  - (1) Convene a Participants' meeting;
  - (2) Supervise the daily management of the ESOP on behalf of all Participants;
  - (3) Exercise shareholders' rights on behalf of all Participants or authorize the Asset Management Institution to exercise shareholder' rights;
  - (4) Examine and determine the qualifications, scope, number and limit of participants according to the ESOP;
  - (5) Formulate and revise management measures for the ESOP;
  - (6) Determine the interests (shares) of the Participants according to the assessment results of the Company;
  - (7) Cooperate with the Asset Management Institution of the ESOP for their selection and handover work (if any);

- (8) Handle all matters concerning the locking, release and vesting of the shares purchased under the ESOP;
  - (9) Be responsible for the ESOP financing method, amount and other matters related to the ESOP financing;
  - (10) Perform the duty of the ESOP asset management, if the ESOP is self-managed, the Management Committee, as the management party, is responsible for the daily management of the ESOP (including but not limited to reducing shares of the Company held under the ESOP after the end of the lock-up period, and allocating income and cash assets to Participants). The Management Committee can entrust its duty of the asset management to a third party for management (such as the selection of the Asset Management Institution), including but not limited to selling the Company's Shares to cash in upon expiration of the lock-up period, and investing cash assets of the ESOP in fixed income securities, financial products, money market funds and other cash management tools;
  - (11) Formulate and implement plans for refinancing by additional issuance, rights offering or issuance of convertible bonds within the duration of the ESOP;
  - (12) Authorize the director of the Management Committee to exercise the shareholder' rights of the shares held in the ESOP before the liquidation and distribution of the ESOP are completed;
  - (13) Determine the allocation of the ESOP assets;
  - (14) Perform such other duties as may be authorized by the Participants' meeting.
4. The director of the Management Committee shall exercise the following functions and powers:
- (1) Preside over the Participants' meetings and convene and preside over meetings of the Management Committee;
  - (2) Supervise and inspect the implementation of the resolutions of the Participants' meetings and the Management Committee;
  - (3) Exercise shareholders' rights on behalf of all Participants with authorization by the Management Committee;
  - (4) Sign relevant agreements and contracts on behalf of the ESOP;
  - (5) Exercise other functions and powers granted by the Management Committee.

5. The meetings of the Management Committee shall be held from time to time according to the need, and shall be convened by the director of the Management Committee, unless otherwise provided for in the ESOP. Notice of the meeting shall be given to all members of the Management Committee 2 days prior to the meeting. In case of emergency, the members may be notified of a meeting of the Management Committee orally. Such notice may be given by mail, telephone, fax, etc.
6. The meetings of the Management Committee shall be held only when more than half of the members are present. The system of one person one vote shall be adopted at the meetings of the Management Committee. The resolutions of the meetings shall be valid only if approved by more than half of the members of the Management Committee. Subject to the full expression of views by the members of the Management Committee, E-mail or other means may be used, and a resolution shall be made and signed by members present.
7. The meetings of the Management Committee shall be attended by the members in person. If a member of the Management Committee cannot attend for some reason, he may entrust another member in writing to attend on his behalf. Failure to attend a meeting of the Management Committee and authorize a representative to attend shall be deemed to a waiver of the right to vote at the meeting.
8. The Management Committee shall make resolutions on the matters discussed at the meetings, and the resolutions shall be signed by members of the Management Committee.

## **X. MANAGEMENT MODE, SELECTION OF ASSET MANAGEMENT INSTITUTION, AND MANAGEMENT AGREEMENT**

### **(I) Management mode of the ESOP**

The ESOP can be self-managed, or it can be entrusted to a professional institution with asset management qualifications (hereinafter referred to as “Asset Management Institution”) to manage. If the ESOP is self-managed, the Management Committee, as the management party, is responsible for the daily management of the ESOP (including but not limited to reducing shares of the Company held under the ESOP after the end of the lock-up period, and allocating income and cash assets to Participants); if the ESOP entrusts an Asset Management Institution to carry out investment operations and daily management, the Participants’ meeting of the ESOP or Management Committee will select an appropriate Asset Management Institution to manage the ESOP, and the management fee, custody fee and other related expenses will be paid by the Company, subject to the relevant final agreement signed.

The Management Committee or Asset Management Institution shall manage the ESOP in accordance with relevant laws, regulations and the agreement of the ESOP to ensure that the ESOP purchases and holds the Underlying Shares in a manner permitted by laws and regulations.

The shares and funds held by the ESOP shall be the entrusted property, and the Asset Management Institution of the ESOP shall not include the entrusted property as its self-owned assets. Where the Asset Management Institution of the ESOP is liquidated for reasons such as dissolution, cancellation or bankruptcy according to law, the entrusted property shall not belong to the liquidating property.

**(II) The main terms of the asset management agreement must contain the following:**

1. Name of the Asset Management ESOP
2. Type
3. Entrustment of assets
4. Investment of entrusted assets
5. Rights and obligations of the client
6. Special risk warning
7. Management fee, custodian fee and other related expenses
8. Liquidation and termination of the Asset Management ESOP
9. Others

**XI. MAIN PROVISIONS OF THE MANAGEMENT RULES**

- (I) The ESOP can be self-managed, or it can be entrusted to a professional institution with asset management qualifications (hereinafter referred to as “Asset Management Institution”) to manage. If the ESOP is self-managed, the Management Committee, as the management party, is responsible for the daily management of the ESOP (including but not limited to reducing shares of the Company held under the ESOP after the end of the lock-up period, and allocating income and cash assets to Participants); If the ESOP entrusts an Asset Management Institution to carry out investment operations and daily management, the Participants’ meeting of the ESOP or Management Committee will select an appropriate Asset Management Institution to manage the ESOP, and the management fee, custody fee and other related expenses will be paid by the Company, subject to the relevant final agreement signed.

- (II) The Management Committee or Asset Management Institution shall manage the ESOP in accordance with relevant laws, regulations and the agreement of the ESOP to ensure that the ESOP purchases and holds the Underlying Shares in a manner permitted by laws and regulations.

In case of any change of the members of the Management Committee, they shall be re-elected by the Participants' meeting.

(III) Composition of the ESOP assets

1. Underlying Shares;
2. Cash deposits and accrued interest;
3. Income from fund management or other assets without vesting objects for various reasons such as employee turnover and assessment.

Assets under the ESOP shall be independent of other ESOPs and the assets of the Company and the Asset Management Institution. The Company, the Asset Management Institution and their creditors shall have no right to freeze, detain, pledge or otherwise dispose of the assets under the ESOP.

(IV) Measures for disposing of the ESOP assets

1. Within the duration of the ESOP, unless otherwise stipulated by laws, regulations, rules and management rules, or approved by the Participants' meeting after deliberation, the ESOP shares held by the Participants shall not be transferred, pledged, or otherwise disposed of in similar manner. The Participants shall not require distribution of the ESOP assets.
2. Upon the expiration of the lock-up period of the ESOP and prior to the expiration of the duration of the ESOP, the Asset Management Institution shall sell the Underlying Shares held in the ESOP or determine the vesting of the relevant shares according to the written authorization of the Management Committee.
3. When all the assets of the ESOP are monetary funds after the end of the lock-up period of the ESOP, the Management Committee shall decide whether to allocate the assets. If it is decided to allocate the assets, the Management Committee shall authorize the Asset Management Institution to allocate according to the shares held by the Participants.

If all the Underlying Shares held by the ESOP are sold and the ESOP assets are liquidated and allocated completely according to the provisions of the preceding paragraph, the ESOP shall be terminated after approved by the Management Committee and reported to the board of directors for record.



4. If the duration of the ESOP expires and is not extended, the Management Committee shall or shall authorize the Asset Management Institution to liquidate the ESOP assets and make cash or share allocations according to the shares held by the Participants.

## **XII. PROCEDURES FOR IMPLEMENTING THE ESOP**

- (I) The Remuneration and Assessment Committee under the board of directors shall be responsible for the preparation of the ESOP and list of the ESOP personnel.
- (II) The congress of workers and staff shall solicit opinions from the staff.
- (III) The board of directors shall review the ESOP and relevant proposals. The independent directors shall give independent opinions on whether the ESOP is conducive to the sustainable development of the Company, whether it damages the interests of the Company and all shareholders, and whether the employees are forced to participate in the ESOP by ways of apportion or forced allocation.
- (IV) The board of supervisors shall express opinions on whether the ESOP is conducive to the sustainable development of the Company, whether it damages the interests of the Company and all shareholders, and whether the employees are forced to participate in the ESOP by ways of apportion or forced allocation.
- (V) The Company shall engage a law firm to issue legal opinions on the legality and compliance of the ESOP.
- (VI) The board of directors shall, after reviewing and approving the ESOP, promptly publish relevant documents concerning the ESOP.
- (VII) A Participants' meeting shall be held to elect the Management Committee and define the specific matters concerning the implementation of the ESOP.
- (VIII) Other procedures to be fulfilled as stipulated by the CSRC, the stock exchange in the place where the Company's securities are listed and the relevant competent authorities.

### **XIII. DISPOSAL MEASURES WHEN THE CIRCUMSTANCES OF THE COMPANY AND THE PARTICIPANTS CHANGE**

#### **(I) Change of control, merger or split of the Company**

In the event of change of control, merger or split of the Company for any reason, the ESOP shall not be changed.

#### **(II) Failure of the Participants to pass the assessment**

During the vesting period, the Participants shall be assessed for each vesting period. The Management Committee shall dispose of the ESOP shares held by the Participants who fail to pass the assessment (including but not limited to granting to other Participants, the same below).

#### **(III) Position change, departure or death of the Participants**

##### ***1. Position change***

- (1) If a Participant is still a director (other than independent director), supervisor, senior officers or core technical (business) personnel of the Company when his position is changed, or is assigned by the Company to a subsidiary of the Company, the relevant ESOP shares can be adjusted accordingly, and in principle, the ESOP shares granted but not vested shall not be increased.
- (2) If a Participant's position is changed due to his incompetence, failure to pass the assessment, violation of law, violation of professional ethics, disclosure of company secrets, dereliction of duty or malpractice and other behaviors that damage the interests or reputation of the Company, the Management Committee shall dispose of the ESOP shares granted but not vested.

##### ***2. Departure***

Except in the case of departure due to reaching the retirement age, regardless of the reasons for departure, the Management Committee shall dispose of the ESOP shares granted to but not vested in the Participants from the date of departure, including but not limited to vesting the shares in the Participants based on their actual contributions, or taking back the ESOP shares granted but not vested for disposal by the Management Committee.

### **3. Retirement**

If a Participant has reached the retirement age prescribed by the state and the Company and has retired from his job,

- (1) his ESOP shares granted but not vested shall not be affected provided that he passed the performance assessment in the year of his departure and accepted the Company's restrictions on non-competition; his shares granted but not vested shall be fully vested in the first vesting period provided that the time of his retirement is within the lock-up period or the first vesting period.
- (2) the Management Committee shall dispose of his ESOP shares granted but not vested provided that he failed to pass the performance assessment in the year of his departure.

### **4. Loss of ability to work**

Where a Participant loses the ability to work due to an injury sustained in the performance of his duties, his ESOP shares granted but not vested shall not be affected. Otherwise, the Management Committee shall dispose of the ESOP shares granted but not vested.

### **5. Death**

In the event of the death of a Participant on the job, his ESOP shares granted but not vested shall not be affected, and the relevant interests shall be enjoyed by his legal successors. If it occurs during the lock-up period or the first vesting period, the shares granted but not vested shall be fully vested in his legal successors during the first vesting period. Otherwise, the Management Committee shall dispose of the ESOP shares granted but not vested.

## **XIV. SUPPLEMENTARY PROVISIONS**

1. The financial and accounting treatment and taxation with respect to the Company's implementation of the ESOP shall be carried out in accordance with the relevant financial system, accounting standards and taxation system. Relevant personal income tax to be paid by the Participants due to the implementation of the ESOP shall be borne by the Participants themselves;

2. The ESOP shall take effect from the date of deliberation and approval by the board of directors of the Company;
3. The board of directors of the Company reserves the right to interpret the ESOP.

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

April 27, 2023