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Announcement on Reply to Inquiry Letter of Shenzhen Stock Exchange of Zhejiang Supor Co., Ltd.

This Company and all members of the Board of Directors hereby warrant that all information disclosed here are true, accurate and complete, and contain no fictitious statement, misleading information or significant omission.

Zhejiang Supor Co., Ltd. (hereinafter referred to as “Company”, “the Company” or “Supor”) received *Letter of Concern about Zhejiang Supor Co., Ltd.* (CSBGZH [2021] No. 448) issued by Shenzhen Stock Exchange (hereinafter referred to as “Letter of Concern”) on December 15, 2021. The reply on relevant matters regarding the Letter of Concern of the Board of Directors is announced as follows:

1. Demonstrate the base of and justify the plan that proposes to repurchase the stocks at no more than 67.68 RMB/share and grant them at 1 RMB/share instead of setting the grant price as the higher one between 50% of the average stock trade price of the company on the transaction date before the announcement of the Draft Equity Incentive Plan and 50% of the average stock trade price of the company during the 20/60/120 days before the announcement of such Draft Incentive Plan; Furthermore, your company is required to clarify if any benefit is inappropriately funneled to the incentive objects.

Reply: The 10th session of the 7th Board of Directors held by the Company on December 10, 2021 adopted the *Restricted Stock Incentive Plan of Zhejiang Supor Co., Ltd. in 2021 (Draft) and its Abstract*, and agreed to confer 293 incentive objects with 1.2095 million restricted stocks in total, taking up 0.15% of the company's total share capital when the incentive plan was announced, The source of restricted stocks is the stock repurchased by the Company from the secondary market with the price of no more than 67.68 CNY. The grant price of this Restricted Stock Incentive Plan is 1 RMB/share.

1) Compliance of the pricing principle of shares repurchase: The Company repurchased the stock with the price of no more than 110% of the closing average price (67.68CNY) of the Company's stock on the first 20 transaction dates before the Board of Directors passed by resolution of stock repurchase. The pricing principle was determined according to the fact that the previous stock repurchases of the Company were used for equity incentive; the upper limit of the repurchase price interval is no more than 150% of the average price of the Company's stock transaction on the first 30 transaction dates before the Board of Directors passed by resolution of stock repurchase. It keeps in line with the stipulations of Article 15 in *Implementation Rules of Stock Repurchase* of Shenzhen Stock Exchange: **"The listed companies shall confirm the reasonable price interval when repurchasing stocks. If the upper limit of the repurchase price interval is higher than 150% of the average price of the company's share transaction on the first 30 transaction dates before Board of Directors passes the resolution of stock repurchase, it shall fully explain its reasonableness in the stock repurchase plan".**

2) As to the compliance of grant price: In accordance with Article 23 of *Administrative Measures for Equity Incentive of Listed Companies* (hereinafter referred to as "*Administrative Measures*"), **"The grant price shall not be lower than the face amount of the stock and shall not be lower than the higher prices listed below in principle: ① 50% of the average price of the Company's stock dealing on the 1st transaction date before the announcement of the Draft Incentive Plan"; ② "50% of one of the average prices of the Company's stock dealing on the first 20, 60 or 120 transaction dates". I listed companies confirm the grant price of restricted stocks through other methods, it shall explain the pricing basis and pricing method in the Equity Incentive Plan.** In accordance with stipulations of Article 36 in *Administrative Measures*, **"if the listed companies confirm the grant price of the restricted stock or the executive price of the stock option through other methods without following the pricing principles of Article 23 and 29 in the Measures, they shall invite the independent financial adviser, and release professional opinions about the feasibility of the equity incentive plan, whether it is favorable for the continuous development of listed companies, related pricing evidence and rationality of the pricing method, and whether it harms benefits of the listed companies and its influence on shareholders' benefits".** The grant price of the restricted stock of the Company's Incentive Plan is 1 RMB/share, which is no less than the face amount of stocks; it is lower than 50% of the average transaction price before the draft release; it also made clear explanation of the pricing basis and pricing method in the Equity Incentive Plan in accordance with *Administrative Measures*. Meanwhile, it invited China International Capital Corporation Limited as the independent financial adviser; the independent financial adviser report issued by it also explained this. Therefore, the planned grant keeps in line stipulations of *Administrative Measures*.

3) Rationality of the grant price. As to the fact that the Restricted Stock Incentive Plan confers it to incentive objects with 1 RMB/share, the Company mainly considers:

(1) According to the successful implementation experience of previous equity incentive plans, by considering the remuneration conditions of incentive objects and the overall revenue level of the incentive objects, if the Company confers it to incentive objects with the price of 1 RMB/share, it may maintain the continuity of the Company's established incentive policies and the rationality of the remuneration structure.

(2) The Company's future development requires long-term and stable team. If it confers the restricted stock to core personnel of the Company with the price of 1 RMB/share, the incentive objects do not have to pay excessive incentive considerations, so that it may yield high incentive effects and have a positive effect on the corporate development. There are multiple uncertainties in the domestic and foreign macroeconomic environments; the industry changes rapidly; the development volatility of the future industry and enterprises is strengthened. Therefore, the stable management team and talents are of greater importance to the Company.

(3) The Company has a stable cash flow and good financial conditions. Therefore, the cost expenses yielded by the stock repurchase in the plan won't have adverse effects on the Company's daily operation.

Above all, the grant pricing of the restricted stock is confirmed on the basis of meeting related laws, regulations and normative documents according to the continuity of the Company's incentive policy, the reasonableness of the remuneration structure and the effective incentive effect of incentive objects, as well as the importance of the future macro environment and industrial conditions to talents and teams, and the actual financial conditions of the Company. The pricing is reasonable and feasible.

4) As to whether there is profit transmission to incentive objects: The Incentive Plan confers 1.2095 million restricted stocks to incentive objects with 1 RMB/share, taking up around 0.15% of the Company's total share capital. Around 4,100 stocks were conferred to 293 incentive objects per capita. The grant quantity per capita takes up an extremely low proportion of the Company's current capital stock. Calculated according to the closing price of the Company's stock on the day of the resolution announcement of board of directors, namely 63.69 CNY, the per capita incentive value is 261,100. After deducting the considerations and taxes paid by the incentive objects, the per capita incentive value obtained by incentive objects is small. In accordance with the stipulations of the Incentive Plan, the restriction on sales of the above stocks shall be consecutively terminated in the 36 months after grant (50% in 24 months and the other 50% in 36 months). The real income each year matches the overall revenue level of the incentive object. Therefore, the Incentive Plan does not have the situation of profit transmission.

Independent opinions of independent directors:

We have given following independent opinions after verification:

(1) The Company determined the repurchased price of no more than 110% of the closing average price (67.68CNY) of the Company's stock on the first 20 transaction dates before the Board of Directors passed by resolution of stock repurchase based on its stable cash flow and good financial conditions and the pricing principle was determined according to the fact that the previous stock repurchases of the Company were used for equity incentive. The repurchase price is not higher than 150% of the average price of the Company's stock transaction on the first 30 transaction dates before the Board of Directors passed by resolution of stock repurchase which keeps in line with the stipulations of Article 15 in *Administrative Measures for Equity Incentive of Listed Companies.*

(2) There is continuity in the purpose of the Company's successive equity incentive plans and the pricing principle for grant price of restricted stock. The grant price of the restricted stock of the Company's Incentive Plan is 1 RMB/share similar to previous one, which is no less than the face amount of stock. It also made clear explanation of the pricing basis and pricing method in the Equity Incentive Plan. Meanwhile, the Company invited China International Capital Corporation Limited as the independent financial adviser to address an independent financial adviser report. The report clearly stated that the pricing principle for grant price of restricted stock was in compliance with the relevant laws, regulations and regulatory documents, and that the relevant pricing basis and pricing method were reasonable and feasible and conducive to the sustainable development of the listed company, and there were no circumstances that would harm the interests of the listed company and all shareholders. In addition, the legal opinions issued by Grandall Legal Group (Hangzhou) engaged by the Company shows that this incentive plan specified the grant price and its determination method, which is in compliance with the provisions of Article 9(6), Article 23 and Article 35(2) of the *Administrative Measures for Share Incentives of Listed Companies*.

(3) The purpose of this equity incentive plan is clear. The pricing principle for grant price of restricted stock is confirmed on the basis of meeting related laws, regulations and normative documents according to the continuity of the Company's incentive policy, the reasonableness of the remuneration structure and the effective incentive effect of incentive objects, as well as the importance of the future macro environment and industrial conditions to talents and teams, and the actual financial conditions of the Company. The pricing is reasonable and workable.

(4) The Incentive Plan confers 1.2095 million restricted stocks to incentive objects with 1 RMB/share. 4,100 stocks were conferred to 293 incentive objects per capita. Calculated according to the closing price of the

Company's stock on the day of the resolution announcement of board of directors, namely 63.69 RMB/share, the per capita incentive value is not huge. In accordance with the stipulations of the Incentive Plan, the restriction on sales of the above stocks shall be consecutively terminated in the 36 months after grant (50% in 24 months and the other 50% in 36 months). The real income each year matches the overall revenue level of the incentive object. Therefore, the Incentive Plan does not have the situation of profit transmission.

2. Justify the plan that sets a year-on-year growth of net profit attributable to the parent company at no less than 5% as the performance-based equity incentive criteria in its scientific and reasonable nature, and give an account that if a single criteria is appropriate for your company; furthermore, and based on your response to Question 1, explain that if the plan will stimulate and help improve the competitiveness of your company and if the plan is in compliance with Article III of Administrative Measures for Equity Incentive of Listed Companies that requires the plan to "conducive to the sustainable development of listed companies without harming the interest of such companies".

Reply: The assessment indicators of the Incentive Plan are divided into three levels: the performance of the corporate level, the performance of the business unit of the incentive object serves, and the performance of the incentive object level. Only by simultaneously achieving performance indicators of the above three levels can incentive objects lift the ban on the restricted stocks conferred at the current period. If they fail to meet any of the assessment conditions, the Company shall, in accordance with the plan's stipulations, cancel the repurchase of restricted stocks whose restriction on sales of incentive objects may be terminated in the current period. Compared with the assessment systems of the previous incentive plans of the Company, this Incentive Plan is more scientific and reasonable. Indicator instructions of the three levels are shown as follows:

1) The assessment indicator of the corporate level: To select the net profit that belongs to the parent company shareholder on the consolidated statement audited by the Company may reflect the profitability of the Company more objectively, which is the final embodiment of the enterprise's growth. To set the performance of the corporate level as the net profit growth of no less than 5%, the following factors are mainly considered:

(1) In terms of the macro environment: There are multiple uncertain factors in the domestic and foreign macroeconomic environment, such as continuous impact of COVID-19, the price rise of the bulk raw materials and weak demand of domestic consumption, which lead uncertainty to the future operation of the Company.

(2) In terms of the industrial development conditions, the small domestic appliance and cooking utensil business among the Company's core businesses are mature and fully competitive industries. However, some long-tailed category products with detail segments, such as air fryers, breakfast machines and electric lunch boxes, develop rapidly in the market; categories of cleaning electric appliances, such as sweeping robots and

collecting and mobbing AIOs, and kitchen & electric appliances like integrated kitchens and dishwashers also grow rapidly in the market.

(3) In terms of the market competition, the COVID-19 has boosted the development of online channels in all walks of life, but greatly affected offline channels. Out of the lower threshold of domestic online channels, many small brands have rapidly developed on online channels, thus intensifying the industry's market competition and having far-reaching influence on the enterprises of the industry.

(4) From the perspective of the Company's future development plan, the Company will continue to adhere to the "differentiation" strategy in products, maintaining the growth of traditional superior categories through product innovation, expanding the subdivided long-tail categories, and improving the market competitiveness of cleaning electric appliances, integrated stoves and other trend categories.. In terms of channels, the Company has accelerated the transformation to online channels from 2020 and achieved good results. In the future, the Company will continue to promote channel reforms and enhance the competitiveness of online channels. At the same time, we can also see that the Company’s various business developments are not balanced. For example, the development of some emerging business units requires investment and cultivation, which cannot bring good performance contributions in the short term, while the teams and talents need to be retained and effectively motivated in order to bring new growth points to the Company in the future.

The Company hopes that through the successful implementation of this restricted stock incentive plan, the core teams and employees of existing advantageous businesses and emerging businesses will be motivated to make greater contributions in their respective positions, and strive to achieve a growth level higher than the industry.

In summary, the Company-level performance assessment indicators in this incentive plan comprehensively consider relevant factors such as the macroeconomic environment, industry development, market competition, and the Company’s future development plans, as well as the possibility of the realization of the incentive plan and its motivational effect on the Company’s employees, and combine with the actual situation of the Company, so the setting of the indicators is scientific and reasonable.

2) Performance assessment indicators of each business unit: Because the Company has many business units and the scale and benefits of each business unit are quite different, setting different business assessment indicators according to the business unit of the incentive object is conducive to incentivizing employees to make greater contributions in their respective positions, avoiding occurrence of "eating from the same pot -- getting an equal share regardless of the work done" and making performance assessment more fair and just. The Company has formulated performance assessment indicators and rules for every business unit, which include comprehensive operation indicators such as sales indicators and profit indicators for each business unit. The calculation method is more rigorous and complicated than before. They are used to strictly implement the performance assessment of each business unit.

3) Performance assessment indicators at the individual level: The Company has set up strict individual-level performance assessment indicators, which can make a more accurate and comprehensive evaluation of the work performance of the incentive objects. The Company will determine whether the incentive object meets the conditions for lifting the sales restriction based on the results of the performance assessment of the incentive object.

In summary, combined with the response to question 1, the assessment of this restricted stock incentive plan is shown as follows:

(1) This incentive plan is awarded at a price of RMB 1 RMB/share, and the incentive object does not have to pay excessive incentive considerations, which ensures the effectiveness of the incentive plan and has a positive effect on corporate development;

(2) The number of incentive objects has increased by 1/3 compared with the previous plan (189 people planned in 2017, 293 people planned in this period), the coverage is wider, which is conducive to retaining and motivating more core employees;

(3) The number of stocks granted (a total of 1.2095 million shares, 4,100 shares per capita with an incentive value per capita of CNY 261,100) matches the revenue of the incentive objects and the annual accounting cost has a small impact on the Company's financial indicators, so there is no benefit transfer and damage to the interests of listed companies;

(4) The time for lifting the sales restriction (lifting 50% in 24 months after grant and lifting the other 50% after 36 months) is set reasonably, which is conducive to long-term motivation of core employees;

(5) Setting indicators at the Company level, the business unit level, and the individual level for performance assessment is more scientific, and reasonable than previous incentive plans, which is conducive to motivating employees to create greater value and conducive to the sustainable development of listed companies.

The various settings of this incentive plan are both motivating and restrictive for the incentive objects, and can better achieve the retention and long-term motivating effect of the core employees for the Company, and at the same time help promote the Company’s competitiveness in the future. Therefore, they are in line with the requirement of Article 3 of the *Administrative Measures for Equity Incentive of Listed Companies* that "equity incentives must be conducive to the sustainable development of listed companies and must not harm the interests of listed companies".

Independent opinions of independent directors:

We have given following independent opinions after verification:

(1) The assessment indicators of the Incentive Plan are divided into three levels: the performance of the corporate level, the performance of the business unit of the incentive object serves, and the performance of the incentive object level. It is in line with the requirements of Article 11 of the *Administrative Measures for*

Equity Incentive of Listed Companies that "the performance evaluation index shall include the company performance index and the individual performance index of the incentive object". Only by simultaneously achieving performance indicators of the above three levels can incentive objects lift the ban on the restricted stocks conferred at the current period. If they fail to meet any of the assessment conditions, the Company shall, in accordance with the plan's stipulations, cancel the repurchase of restricted stocks whose restriction on sales of incentive objects may be terminated in the current period. The Incentive Plan with three levels of assessment indicators is more scientific and reasonable.

As for Company-level performance assessment indicators, that is the net profit attributable to the parent company at no less than 5%, combined with the purpose of the incentive plan, the Company comprehensively consider relevant factors such as the macroeconomic environment, industry development, market competition, and the Company's future development plans, as well as the possibility of the realization of the incentive plan and its motivational effect on the Company's employees, and combine with the actual situation of the Company, which reflects the importance the Company places on maintaining the stability of its core team and staff at this stage. We believe the setting of the indicators is scientific and reasonable.

(2) The settings of this incentive plan are both motivating and restrictive for the incentive objects, and can better achieve the retention and long-term motivating effect of the core employees for the Company, and at the same time help promote the Company's competitiveness in the future. In addition, in order to guarantee the effective implementation of this incentive plan and to regulate the assessment behavior of the Company to the incentive objects, the Board of Directors formulated the Management Measures for the Assessment of the Restricted Stock Incentive Plan of Zhejiang Supor Co., Ltd. The independent financial advisor's report pointed out that the performance appraisal system and appraisal methods determined in this incentive plan are reasonable, and the relevant indicators are objective, open, clear and transparent, which are in line with the Company's reality and are conducive to promoting the Company's competitiveness. Therefore, they are in line with the requirement of Article 3 of the *Administrative Measures for Equity Incentive of Listed Companies* that "equity incentives must be conducive to the sustainable development of listed companies and must not harm the interests of listed companies".

3. Demonstrate the accounting treatment of share repurchase and the proposed incentive plan, including specific affected items and amounts: your company shall further explain whether the said net profit attributable to the parent company as a performance criteria will be calculated with the proposed equity incentive costs deducted, if yes, additional comparison of the potential influence on the

criteria realization on a pre- and post- deduction basis shall be demonstrated and the deduction shall be justified.

Independent directors of your company shall verify the above-mentioned issues and give their independent opinions.

Reply: For the four periods of stock repurchase, acceptance of subscription money, within the waiting period and realization of the unlocking conditions of share repurchase and equity incentives, the Company strictly follows the relevant provisions of *Accounting Standards for Business Enterprises No. 11-share-based payment Payments* and *Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments*.

The detailed description of the accounting treatment of share repurchase and this incentive is as follows:

1) Accounting handling of stock repurchase:

When the Company repurchases shares of the public from the parallel market, it shall write accounting entries based on the actual expenditures for each share repurchase:

Borrow: Treasury shares Loan: Bank savings

2) Accounting handling of receiving the subscription money of equity incentive

After the Company convenes a board of directors meeting to grant shares to the incentive objects in accordance with relevant regulations, and performs restricted stock registration and other procedures to the incentive objects in accordance with relevant regulations, it shall write accounting entries according to the subscription payments from the incentive objects (the grant price of this incentive plan is 1 RMB/share, with no premium):

Borrow: Bank savings Loan: Treasury shares

Borrow: Capital reserve-capital stock premium Loan: Treasury shares

At the same time, recognize liabilities for repurchase obligations in accordance with the number of restricted stocks granted to each incentive object and the grant price of restricted stocks in this incentive plan of RMB 1 RMB/share:

Borrow: Treasury shares Loan: Other payables-restricted stock repurchase obligations

3) Accounting handling of stock payment apportionment within the waiting period:

It is estimated that the total amount of equity expenses granted is CNY 78,115,100 according to the fair value of the restricted stocks calculated based on the closing price on the day when the resolution of the board of directors is made (assumed to be consistent with the closing price on the grant date). This amount, as the Company’s incentive costs for this equity incentive plan, will be confirmed in installments during the implementation of this incentive plan according to the proportion of sales restrictions that have been lifted, and will be included in the operating profits and losses. Assuming that all shares are granted in January 2022, the cost amortization of the restricted stocks is as follows:

Fair value of the restricted stocks (ten thousand yuan)	2022	2023	2024
7,831.51	3,263.13	3,263.13	1,305.25

Note 1: The above results do not represent the final accounting costs. The actual accounting costs are not only related to the actual grant date, grant price and grant quantity, but also related to the actual effective and invalid quantity.

Note 2: The above-mentioned impact on the Company's operating results will be subject to the audit report issued by the accounting firm.

Borrow: Administrative expense Loan: Capital reserve-other capital reserve

4) Accounting handling about whether to achieve the lifting conditions

① If the Company meets the conditions for lifting restricted stocks in each period and does not need to repurchase the corresponding shares from the incentive objects, the shares of each period will be lifted, and the other capital reserves included during the confirmation of the share-based payment in each period will be transferred to the share capital premium:

Borrow: Other payables-restricted stock repurchase obligations Loan: Treasury shares

Borrow: Capital reserve-other capital reserve Loan: Capital reserve-share capital premium

② If the Company does not meet the lifting conditions of restricted stocks in a certain period and needs to repurchase the corresponding shares from the incentive objects, it shall write accounting entries according to the amount that should be paid:

Borrow: Other payables-restricted stock repurchase obligations Loan: Bank savings

Borrow: Share capital Loan: Treasury shares

The performance assessment indicators at the Company level in this plan is the net profit attributable to shareholders of the parent Company, and does not exclude the cost of this equity incentive. At the same time, the assessment indicators at the business unit level do not exclude the cost of this equity incentive.

Independent opinions of independent directors:

We have given following independent opinions after verification:

(1) Confirmed by the Company, for the accounting treatment of repurchase and equity incentives, the Company will strictly follow the relevant provisions of *Accounting Standards for Business Enterprises No. 11- share-based payment Payments* and *Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments*.

(2) Confirmed by the Company, the performance assessment indicators at the Company level in this plan is the net profit attributable to shareholders of the parent Company which does not exclude the cost of this equity incentive. At the same time, the assessment indicators at the business unit level do not exclude the cost of this equity incentive.

We believe that the accounting treatment of the Company is in compliance with the requirements of the relevant regulations and will continue to monitor and verify the accounting treatment of the Company in the process of subsequent implementation.

Board of Directors of Zhejiang Supor Co., Ltd.

December 22, 2021