



**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**

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

**Implementation Rules for the Audit Committee under the Board of Directors**

## **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to strengthen the decision-making function of the Board, audit in advance, audit professionally, ensure effective supervision over the senior management by the Board, and perfect its corporate governance structure, the Company has set up the Audit Committee under the Board and formulated the implementation rules in accordance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Code of Corporate Governance for Listed Companies, the Guidelines of the Shanghai Stock Exchange for Self-governance of Listed Companies No. 1 — Standard Operation (《上海證券交易所上市公司自律監管指引第1號 — 規範運作》), the Articles of Association of Haier Smart Home Co., Ltd. (hereinafter referred to as the "Articles of Association") and other relevant requirements.

**Article 2** The Audit Committee under the Board of Directors is a specific working body set up by the Board in accordance with the resolutions at the general meeting. Its main responsibilities are to communicate with the internal and external auditing of the Company, and to supervise and review their job performance.

**Article 3** The Company provides requisite working conditions for the Audit Committee, and the Secretary of the Board of the Company is responsible for the daily works of the Audit Committee, such as work liaison, conference organization, documents preparation and files keeping. The management and related departments of the listed company shall cooperate when the Audit Committee is performing the duties.

\* For identification purpose only

## CHAPTER 2 COMPOSITION

**Article 4** The Audit Committee shall consist of three to five directors, who shall be directors not holding senior management positions in the Company, with independent directors as the majority. At least one of the independent directors among the Committee members shall be an accounting professional or a person with appropriate professional qualification, or accounting or relevant financial management expertise as required under the Hong Kong Listing Rules (hereinafter referred to as “Professional Accountants”). A former partner of the external existing auditing firm of the Company should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his ceasing to be the partner of the firm or to have any financial interest in the firm (whichever is later).

**Article 5** The members of the Audit Committee shall be nominated by the Chairman of the Board, more than half of the independent directors, or one-third of all directors, and shall be subject to election by the Board.

**Article 6** The Audit Committee shall have a chairman (convener) who shall be an accounting professional and an independent director and shall be responsible for leading the work of the Audit Committee. The chairman shall be elected from the members, and shall be subject to the approval of the Board. The Audit Committee may have a vice chairman to assist the chairman in discharging duties; the vice chairman of the Audit Committee shall be elected from the members, and shall be subject to the approval of the Board.

**Article 7** The term of office of the Audit Committee shall be identical to that of the Board. A member may offer himself/herself for re-election upon the expiration of his/her term of office. During his/her term of office, if any member ceases to be a director of the Company, his/her membership in the Audit Committee shall lapse automatically, and the vacancy shall be filled by the person elected by the Audit Committee in accordance with Article 4 to Article 6 as mentioned above.

**Article 8** The Audit Committee shall establish an audit working unit which is a daily operation institution responsible for daily work liaison, conference organization, etc.

## CHAPTER 3 RESPONSIBILITIES AND AUTHORITIES

**Article 9** The primary responsibilities and authorities of the Audit Committee include:

- (I) to supervise and assess the external audit works, to propose the engagement, re-appoint, remove or replacement of the external auditing firms, and to make recommendations on the remuneration and employment terms of the external auditing firms, to deal with any issues related to the resignation or dismissal of the auditing firms and to submit to the Board of Directors periodically (at least annually) an assessment report on the performance of the engaged accounting firms and a report on the fulfilment of the supervisory duties by the Audit Committee;

- (II) to formulate and implement policy on engaging an external auditor to supply non-audit services. The Audit Committee should report to the Board and make recommendations on any matters where action or improvement is needed;
- (III) to review and supervise whether the external auditing firms are independent and objective and whether the audit procedures are effective according to applicable standards; the Audit Committee shall discuss the nature and scope of audit and related reporting responsibilities with the external auditing firms before they start their audit works;
- (IV) to supervise and assess the external audit works, and to be responsible for the coordination between the management, internal auditor and relevant departments, and the external auditor;
- (V) to be responsible for the liaison between internal and external auditing to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (VI) to review the financial information of the Company and its disclosures and review the financial report of the Company and express its opinion thereon;
- (VII) to formulate the proposal on the annual and interim profit distribution and issuance of bonus shares by way of conversion of capital reserve of the Company;
- (VIII) to review the Company's financial control and the Company's internal control system and to conduct audit on the material related-party transactions;
- (IX) to have power to fully discuss the issues in board meetings relating to contents of finance and internal control of the Company; to have power to request the management of the Company to explain, answer and accept queries of relevant questions, and on this basis make relevant recommendation to the Board of Directors so as to ensure that the management has performed its duty to establish and maintain an effective internal control system. The discussion shall include the adequacy of resources, staff qualifications and experience, training programs received by staff and the budget of the Company's accounting and financial reporting function;
- (X) to consider major investigation findings on internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- (XI) to review the financial and accounting policies of the Group (including the Company and subsidiaries accounted within the scope of the combined statements) and their implementation;

- (XII) to review the Explanatory Statement on Auditing from the external auditing firms to the management, any significant queries raised by the external auditing firms to the management about accounting records, financial accounts or control systems and management's response;
- (XIII) to ensure that the Board of Directors provides a timely response to the issues raised in the Explanatory Statement on Auditing of the external auditing firms to the management;
- (XIV) to review the following arrangements set by the Company: employees of the Company are able to raise concerns about possible improprieties in financial reporting, internal control or other aspects. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions by the Company;
- (XV) to make the Audit Committee act as the key representative body between the Company and the external auditors which is responsible for overseeing the relations between them;
- (XVI) to report to the Board of Directors with regard to aforesaid matters and other matters specified in code provision D.3.3 of Appendix C1 of the Hong Kong Listing Rules (and code provisions amended from time to time); report to the Board timely on resolution or suggestion of the Committee unless otherwise limited by the laws or regulatory regulations;
- (XVII) to monitor the actual management and utilization of funds raised on an ongoing basis;
- (XVIII) to handle other matters as required by laws, regulations and listing rules of the place where the Company's securities are listed and as authorized by the Board of the Company.

**Article 10** The responsibility of the Audit Committee to review the financial reports of the Company and its disclosures and to express its opinions shall include at least the following aspects:

- (I) to monitor the integrity of the financial statements, annual report and accounts, interim reports and quarterly reports of the Company and to review the significant opinions regarding the financial reporting as set out in financial statements and reports; to review the financial reports of the Company and make comments to the truthfulness, completeness and accuracy of such reports;

- (II) to focus on and review material accounting and auditing issues contained in the financial reports of the Company, including adjustments to material accounting errors, changes in significant accounting policies, implementations and estimates, matters involving major accounting judgments, the going concern assumptions of enterprises and matters resulting in non-standard unqualified audit reports, compliance with accounting standards, compliance with the listing rules of the place where the Company's securities are listed and legal requirements in relation to financial reporting. The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting, supervisors or the external auditing firms;
- (III) to specifically identify the possibility of fraud, corruption and material misstatement in relation to the financial reports;
- (IV) to supervise the rectification of the issues in financial reports.

With regard to items (I) to (II) above:

1. The Audit Committee must liaise with the Company's board of directors and senior management. The Audit Committee must meet with the Company's auditors at least twice a year; and
2. The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it shall give due consideration to any matters that have been raised by the Company's staff responsible for the internal accounting and financial, internal auditing, compliance department or external auditors.

**Article 11** The Audit Committee shall be accountable to the Board and submit proposals to the Board for consideration and approval.

The following matters shall be submitted to the Board of Directors for consideration after approval by a majority of all members of the Audit Committee:

- (I) disclosure of financial information in financial and accounting reports and periodic reports, and evaluation reports on internal control;
- (II) appointment or dismissal of accounting firms engaged in audit business for the Company;
- (III) appointment or dismissal of the chief financial officer of the Company;
- (IV) changes in accounting policies and accounting estimates made for reasons other than changes in accounting standards, or corrections of material accounting errors;

- (V) other matters as required by laws, regulations, relevant requirements by securities regulatory agencies and stock exchanges where the Company's securities are listed and the Articles of Association.

The Audit Committee shall put forward its deliberation opinions to the Board in respect of matters within the scope of its terms of reference. The Company shall disclose matters in relation to opinions not adopted by the Board with proper explanation and reason. The Audit Committee shall cooperate with the Board of Supervisors to supervise audit activities.

**Article 12** Unless otherwise specified in laws and regulations, the Audit Committee of the Board shall supervise the internal audit department to review the following matters, prepare a review report and submit it to the Board at least once every half year. The Audit Committee shall timely report to the Shanghai Stock Exchange any non-compliant or non-standard operation as it identified:

- (1) implementation of significant matters including use of raised proceeds, provision of guarantees, connected transactions, securities investment and derivative transaction, financial assistance, purchase or sale of assets and external investment; and
- (2) large-value transactions of the Company and the transactions with Directors, supervisors, senior management members, controlling shareholder and de facto controller and their respective associates.

The Audit Committee shall issue assessment opinions in writing in respect of the effectiveness of the internal control of the Company based on the internal audit report and relevant information submitted by the internal audit department, and report to the Board. In the event that the Board or the Audit Committee considers that there is a material weakness or material risk in the internal control of the Company, or that the sponsor or audit firm identifies a material weakness in respect of the effectiveness of the internal control of the Company, the Board shall report to the Shanghai Stock Exchange and make disclosure in a timely manner.

The Company shall disclose in an announcement the material weakness or material risk identified in the internal control, consequences which have been or may be caused, as well as measures which have been or are intended to be taken.

#### **CHAPTER 4 DECISION-MAKING PROCEDURES**

**Article 13** The working unit under the Audit Committee shall be responsible for the preliminary preparations for decision-making of the Audit Committee, and providing relevant written information of the Company:

- (I) relevant financial reports of the Company;
- (II) working reports of the internal and external auditing firms;

- (III) contracts audited externally and relevant working reports;
- (IV) public disclosure of information by the Company;
- (V) audit on the internal control system and material related-party transactions of the Company;
- (VI) other matters as authorized by the Board of the Company.

**Article 14** The Audit Committee shall convene meetings to consider the reports submitted by the working unit under the Audit Committee and submit relevant written resolutions to the Board for consideration with respect to:

- (I) assessment on duty performance of the external auditing firms and engagement and replacement of the external auditing firms;
- (II) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are comprehensive and truthful;
- (III) whether the information such as financial reports disclosed publicly by the Company is objective and truthful, and whether the material related-party transactions of the Company are in compliance with the relevant laws and regulations;
- (IV) assessment on duty performance of the financial department and audit department within the Company, including their persons in charge;
- (V) other relevant matters.

## **CHAPTER 5 PROCEDURAL RULES**

**Article 15** Meetings of the Audit Committee are classified into regular meetings and extraordinary meetings. Regular meetings shall be held at least one time a quarter. An extraordinary meeting may be convened if two or more members propose or the convener deems it necessary. The Audit Committee shall hold separated communication meeting with the external auditing firms, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may raise. The notice of the regular meeting of the Audit Committee shall be made at least ten days in advance while the notice of the temporary meeting of the Audit Committee shall be made two days before the meeting; however, the temporary meeting held under special or emergency circumstances may be exempted from the above notification time limit. The meeting of Audit Committee shall be presided over by the chairman of the Audit Committee. When the chairman is unable to attend the meeting, he/she may appoint the vice chairman or another member of the Audit Committee (an independent director) to preside over the meeting on his/her behalf.

**Article 16** The meeting of Audit Committee may only be convened with the presence of more than two thirds (inclusive) of the members. Each member has one vote. Resolutions of the Meeting shall only be passed by more than half of all the members of the Audit Committee voting in favor of such resolutions.

**Article 17** Votes may be made by a show of hands or by poll in the meeting of the Audit Committee, while for voting at an extraordinary meeting of the Committee may also be by correspondence.

**Article 18** Members of the working unit under the Audit Committee can attend meetings of the Audit Committee. Directors, supervisors and other senior management personnel of the Company can also be invited to attend such meetings if necessary.

**Article 19** The Audit Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.

**Article 20** The convening of the meeting of Audit Committee, its voting methods and the resolutions to be passed at such meeting must comply with the provisions of relevant laws, regulations, the Articles of Association and the implementation rules.

**Article 21** Minutes shall be taken on all meetings of the Audit Committee and signed by each attending member. All meeting minutes shall be kept by the Secretary of the Board of the Company.

**Article 22** Any resolution passed at the meeting of Audit Committee and the voting results must be reported in written to the Board of the Company.

**Article 23** Members present at such meeting are obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

## **CHAPTER 6 ADDENDUM**

**Article 24** The matters which are not covered herein, shall be conducted in accordance with the requirements of the relevant state laws, regulations, the relevant regulatory rules of the securities regulatory agencies and stock exchanges where the Company's securities are listed and the Articles of Association. In case any of the implementation rules conflicts with the state laws, regulations, the relevant regulatory rules of the securities regulatory agencies and stock exchanges where the Company's securities are listed which are to be issued in the future or the Articles of Association as legally modified, the requirements of the relevant laws, regulations, regulatory rules and the Articles of Association shall prevail. In such case, corresponding amendments shall be made to the implementation rules immediately and submitted to the Board for consideration and approval.



**Article 25** The implementation rules shall be construed and interpreted by the Board of the Company.

**Article 26** The implementation rules shall be implemented from the date of approval by the Board. Since the effective date of the implementation rules, the Company's original Implementation Rules for the Audit Committee under the Board of Directors of Haier Smart Home Co., Ltd. automatically lapsed.

**Haier Smart Home Co., Ltd.**  
March 2024