

## Haier Smart Home Co., Ltd.

### 2019 Duty Performance Report of the Audit Committee under the Board of Directors

Pursuant to relevant laws and regulations such as *Operating Guidelines for the Audit Committee under the Board of Listed Companies* and *Implementation Guidelines for Related-Party Transactions of Listed Companies* issued by Shanghai Stock Exchange and rules and job requirements such as *Articles of Association of Haier Smart Home Co., Ltd.* and *Implementation rules of the Audit Committee under the Board of Haier Smart Home Co., Ltd.*, the audit committee under the Board of Haier Smart Home Co., Ltd. (hereinafter referred to as the “Company”) vigorously performed its duty on auditing and monitoring, and issued opinions and suggestions regarding review of the Company’s financial information and its disclosure, review of the Company’s internal control system, monitoring the Company’s internal audit system and its implementation and assessment on the work of external audit institutions in 2019. The duties performed by audit committee in 2019 and the working scheme of 2020 are reported as below:

#### I. Meetings of the Audit Committee convened

In 2019, the audit committee under the Board of the Company convened 7 meetings of the audit committee in total in accordance with requirements under *Articles of Association*, *Implementation Rules of the Audit Committee under the Board* and *Review Work Procedures on Annual Report of the Audit Committee under the Board*, reviewing issues such as periodic report, bonus scheme, related-party transactions, internal control and engagement of audit institutions. Particulars thereof are set out as follows:

No.	Date	Session and	Content under review
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		time of the meeting		
1	15 February 2019	The ninth session of the audit committee under the Board	The 19th meeting	The meeting heard Report on 2018 Audit Working Scheme of Qingdao Haier Co., Ltd., and the attending members made discussion on the audit working scheme.
2	22 April 2019		The 20th meeting	Reviewed and passed the preliminary deliberation on <i>the 2018 Financial Report of Qingdao Haier Co., Ltd.</i> and the preliminary deliberation on the <i>2018 Internal Control Audit Report of Qingdao Haier Co., Ltd.</i>
3	26 April 2019		The 21th meeting	Reviewed and passed <i>2018 Financial Account Report of Qingdao Haier Co., Ltd., 2018 Internal Control Assessment Report of Qingdao Haier Co., Ltd., 2018 Internal Control Audit Report of Qingdao Haier Co., Ltd., Proposal on Renewing Engagement of Accounting Firm of Qingdao Haier Co., Ltd., Proposal on Estimation on Day-to-day Related-Party Transaction in 2019 of Qingdao Haier Co., Ltd., Proposal on Prediction on Providing Guarantees for Subsidiaries in 2019 of Qingdao Haier Co., Ltd., Proposal on Conducting Foreign Exchange Funds Derivatives Business of Qingdao Haier Co., Ltd., Proposal on Conducting Hedging Business for Bulk Raw Materials of Qingdao Haier Co., Ltd., Proposal of Profit Distribution in 2018 of Qingdao Haier Co., Ltd., 2018 Duty Performance Report on the Audit Committee under the Board of Qingdao Haier Co., Ltd., 2019 First Quarterly Financial Report of Qingdao Haier Co., Ltd.</i>
4	29 June 2019	The 10th session of the audit committee under the Board	The First meeting	Reviewed and passed <i>Proposal on Capital Increase by Related Parties to Its holding Subsidiaries and Related-Party Transaction of Haier Smart Home Co., Ltd.</i>
5	28 August 2019		The Second meeting	Reviewed and passed the <i>2019 Interim Financial Report of Haier Smart Home Co., Ltd.</i>
6	29 October 2019		The Third meeting	Reviewed and passed the <i>2019 Third Quarterly Financial Report of Haier Smart Home Co., Ltd.</i>

*Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.*

7	21 November 2019		The 4th meetin g	Reviewed and passed the <i>Proposal on Capital Increase by Haier Group Corporation to Its Subsidiaries and Related-Party Transaction of Haier Smart Home Co., Ltd.</i>
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## **II. Work Performed by the Audit Committee under the Board of the Company During the Reporting Period**

### **1. Review on regular reports**

During the reporting period, the audit committee reviewed carefully the 2018 annual report, 2019 first quarterly/interim/third quarterly reports of the Company, and was of the view that the financial accounting reports of the Company were in compliance with the requirements under *Accounting Standards for Business Enterprises*, and reflected the position of the Company authentically, accurately and completely.

### **2. Formulation of plan on shareholders' return**

During the reporting period, the audit committee of the Company actively performed its duties, and formulated the 2018 bonus scheme with comprehensive consideration to factors such as investors' return, the operation and development of the Company, etc.: the Company would distribute cash dividends of RMB3.51 (tax inclusive) per 10 shares to all shareholders, with a total expected amount before tax of RMB2,235,334,560.73 on the basis of 6,368,474,532 shares, representing 30.0% of the net profit of the Company attributable to the owners of the parent company in 2018. Such scheme complied with requirements under the relevant laws and regulations, Articles of Association and the prediction on the shareholders' return of the Company in the next three years, realized positive return to investors, and maintained the continuity and steadiness of the bonus policy.

### **3. Review on related-party transactions and material events**

During the reporting period, the audit committee of the Company drew up the budget of the annual day-to-day related-party transactions in a just and fair manner,

which has been executed effectively and legally. The audit committee continued promoting the sustained optimization of the related-party transactions of the Company: in 2019, trading volume of related-party transactions regarding procurement amounted to RMB20.12 billion, which accounted for 10.9% of the similar transactions, representing a decrease of 0.5 percentage points compared to the same period of the previous year; trading volume of related-party transactions regarding sales amounted to RMB2.63 billion, which accounted for 1.3% of the similar transactions, representing a decrease of 0.2 percentage points compared to the same period of the previous year; deposits of financial related-party transactions amounted to RMB16.57 billion and borrowings amounted to RMB1.88 billion, which were remained at the same period. The Company also intends to continue to maintain the optimization of related-party transactions in follow-up work.

During the reporting period, the audit committee of the Company reviewed and passed proposals on related-party transactions such as the energy assets of transferred group and the resolution of real estate defects. It deliberated on whether the related-party transactions are in line with the Company's development strategy target; whether they have adverse impacts on the ability to continue on a going concern basis, profit or loss and condition of assets of the Company; whether the pricing of the related-party transactions is fair and the decision-making procedures comply with relevant requirements; and whether they meet the long-term interests of all shareholders of the listed company, and agreed to submit the aforesaid proposals for the consideration of the Board of the Company.

#### **4. Monitoring on the execution of internal control work**

During the reporting period, the audit committee promoted the improvement in the construction of the internal control system under the Company's internal control department, carried forward conducting of the internal control work in accordance with the *Basic Rules for Internal Control of Enterprises*; and heard reports on work progress in internal control audit from the internal control department regularly; and

monitored the implementation of Company's internal control measures effectively by maintaining communication with the Company's internal control department in a timely manner, so as to ensure that the internal control audit report issued by the Company is able to give a whole picture of the Company's actual operation practices.

#### **5. Inspecting and engaging auditing institution**

The annual audit institution which the audit committee proposed to re-appoint provided good audit services in the Company's annual audit, and the members of its annual audit team were able to duly perform their duties in compliance with relevant work requirements, equipped with outstanding occupational ethics and capacity in performing duties, and ensured the progression of the audit work as scheduled, as well as realized timely and accurate disclosure of the regular reports.

During the reporting period, in order to ensure the smooth progression of the financial and internal control audit of the Company and the continuity of the audit work in 2019, the Company re-appointed Hexin Certified Public Accountants LLP (the original name as "Shandong Hexin Certified Public Accountants LLP ") as the audit institution for the financial report and internal control report of the Company in 2019, with the audit service fee the same as last year, being RMB9.6 million (including RMB7.15 million for the financial report and RMB2.45 million for internal control report), and agreed to pay the audit fee for last year to Hexin Certified Public Accountants LLP.

Given the above, during the reporting period, the audit committee under the Board of the Company was capable of duly performing the duties, giving full play of the role as a professional committee. It provided strong support to the Board in decision-making, ensured effective supervision of the management level by the Board, and in turn further improved the governance of the Company.

### **III. Working Scheme of the Audit Committee in 2020**

During the tenure term in 2020, the audit committee under the Board of the

Company will, in strict compliance with the laws and regulations and requirements under the Company's systems, fully exert its supervision function, continue focusing on the Company's financial information, internal control, internal audit, the communication with the external audit of the Company as well as the material events of the Company to perform its duties and safeguard the interests of the Company and all the shareholders.

Haier Smart Home Co., Ltd.

Audit Committee under the Board

27 April 2020