

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

### **Announcement on Conducting Bulk Raw Materials Hedging Business in 2024**

The board of supervisors and all supervisors of the Company warrant that there are no false representations, misleading statements and material omissions in this announcement, and accept legal responsibility for the authenticity, accuracy and completeness of the content herein.

#### **Reminder of important information:**

- Haier Smart Home Co., Ltd. (hereinafter referred to as the “Company”) and its subsidiaries plan to carry out hedging business of bulk raw materials such as copper, aluminum, steel, and plastics. The contract value of such business shall not exceed USD149 million (funds within the limit can be used on a rolling basis). The funds for this purpose will be from the Company's own funds and will not involve any fund-raising activities. The limit will be valid for 12 months from the date of approval by the Board of Directors of the Company.
- The Company's bulk raw materials hedging business are based on normal production and operation, aiming to avoid and prevent price risks associated with raw materials used in production and operation. They will not engage in speculative and arbitrage business purely for profit.
- The implementation of this bulk raw materials hedging business plan shall be approved by the Board of Directors and does not require approval from the Company's general meeting.

The Company held the 9th meeting of the 11th session of the Board of Directors and the 9th meeting of the 11th session of the Board of Supervisors respectively on 27 March 2024, at which the *Proposal on Conducting Bulk Raw Materials Hedging*

*Business of Haier Smart Home Co., Ltd.* was considered and approved, and agreed that the contract value of the Company and its subsidiaries to carry out hedging business of bulk raw materials such as copper, aluminum, steel, plastics, etc. shall not exceed USD149 million (funds within the limit can be used on a rolling basis), and authorized the president of the Company and the leading group of bulk raw materials hedging business to specifically implement the matters relevant to the above-mentioned hedging business within the limit, including but not limited to handling relevant business and signing relevant agreements. The funds for this purpose will be from the Company's own funds and will not involve any fund-raising activities. The limit will be valid for 12 months from the date of approval by the Board of Directors of the Company. Details are as follows:

## **I. Purpose and necessity of hedging**

Copper, aluminum, steel, plastics, and other major raw materials needed for the Company's production are subject to significant price fluctuations in the domestic and international markets due to the complex and changing economic situation. In order to reduce the impact of raw materials price fluctuations on product costs, ensure relative stability of product costs, and minimize the impact on the Company's normal operations, the Company and its subsidiaries plan to carry out bulk raw materials hedging business.

## **II. Overview of hedging business**

### **1. Trading varieties**

The hedging business conducted by the Company and its subsidiaries is limited to copper, aluminum, steel, plastics, and other commodity varieties related to production and operation. The trading methods are not limited to futures and derivative products such as forwards, swaps, and options.

### **2. Investment amount and funding source**

The Company and its subsidiaries plan to carry out hedging business of bulk raw materials, with a contract value not exceeding USD149 million (funds within the limit can be used on a rolling basis). The funds for this purpose will be from the Company's

own funds and will not involve any fund-raising activities.

### 3. Business period

The effective period will be 12 months from the date of approval by the Company's Board of Directors.

### 4. Accounting

The Company will comply with relevant regulations such as the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 24 - Hedging*, and the *Accounting Standards for Business Enterprises No. 37 - Presentation and Reporting of Financial Instrument* issued by the Ministry of Finance and its guidelines, to conduct corresponding accounting treatment and disclosure of hedging business.

## **III. Feasibility analysis of hedging**

As the main raw materials required for the Company's production are copper, aluminum, steel, plastic, etc., these raw materials have a high degree of correlation with futures varieties and are subject to significant market fluctuations. When the prices of copper, aluminum, steel, plastic, and other materials fluctuate significantly from the procurement of raw materials to the sale of products, it will bring great pressure on the Company's profitability. The Company believe that it is feasible to avoid price volatility risks by carrying out bulk raw materials hedging business, which is beneficial to production and operations. In practical operation, specific hedging trading plans will be implemented based on raw materials pricing, product delivery conditions, and market conditions.

## **IV. Risk analysis of hedging**

### 1. Market risk

Futures and derivatives markets have inherent systemic risks, and hedging requires a certain level of price trend forecasting. If the price prediction is directionally incorrect, it may cause losses to the Company.

## 2. Policy risk

Changes in laws and regulations of futures and derivatives markets may cause market volatility or prevent trading, resulting in risk.

## 3. Funding risk

Due to the strict margin system and daily mark-to-market system in the futures market, there may be corresponding funding floating loss risks. The Company will reasonably allocate its own funds for hedging business, control the scale of funds, and conduct funding calculations while formulating trading plans to ensure sufficient funds. In the process of business operations, the Company will plan and use margins reasonably and adjust funds appropriately to avoid risks.

## 4. Operational risk

It is possible that suppliers violate agreements, cancel or delay deliveries, resulting in a mismatch between the actual hedging quantity and period, causing losses to the Company.

## 5. Internal control risk

Futures and derivatives trading require high professional and complex skills, which may result in risks caused by imperfect internal control systems or human errors. The Company has formulated the *Management Measures for Bulk Materials Hedging Business*, which clarifies the authorization scope, approval procedures, risk management, and other aspects of hedging business. The Company shall strengthen internal control management and improve professional literacy, implement risk prevention measures, and improve the management level of hedging business.

# **V. Risk control measures adopted by the Company**

1. Matching hedging business with the Company's production and operation to the greatest extent, and effectively hedging market volatility risks.

2. Strictly controlling the scale of hedging funds, and reasonably planning and using margin. The Company will reasonably allocate its own funds for hedging business,

and will not use raised funds directly or indirectly for hedging.

3. The Company has formulated the *Administrative Measures for Bulk Raw Materials Hedging Business*, which clearly stipulates the organizational structure and its responsibilities, business processes, risk management, file management and other aspects. The Company will conduct the control over each procedure in strict accordance with the provisions of the internal control system and implement the established management measures.

4. Strengthening the training of relevant personnel, improving their professional competence and comprehensive quality; strengthening research on futures and derivatives markets, grasping market changes, and designing specific operational plans for trading business.

5. The Company's internal audit department will conduct regular and irregular inspections of hedging trading business, supervise hedging trading personnel to implement risk management systems and risk management procedures, and promptly prevent operational risks in business.

## **VI. Deliberation procedures**

The Company held the 9th meeting of the 11th session of the Board of Directors and the 9th meeting of the 11th session of the Board of Supervisors on 27 March 2024, at which the *Proposal on Conducting Bulk Raw Materials Hedging Business of Haier Smart Home Co., Ltd.* was considered and approved, and agreed that the proposed contract value of the Company and its subsidiaries to carry out hedging business of bulk raw materials shall not exceed USD149 million (funds within the limit can be used on a rolling basis). The funds for this purpose will be from the Company's own funds and will not involve any fund-raising activities. The limit will be valid for 12 months from the date of approval by the Board of Directors of the Company. The independent Directors of the Company have expressed explicit consent on the above matters.

## **VII. Independent director's opinion**

The independent directors believe that the Company has established management

measures for bulk raw materials hedging business, and through the risk mitigation mechanism of hedging, it can reduce the fluctuation of product costs caused by raw material price volatility, ensure the relative stability of product costs, maintain the Company's normal production and operation, and improve the Company's ability to resist market fluctuations and stabilize price fluctuations. There is no situation that harms the interests of the Company and all shareholders, and it is feasible for the Company and its subsidiaries to conduct hedging activities on bulk raw material futures, and the risks are controllable.

Therefore, the independent directors agree to the Company's participation in the hedging activities for bulk raw materials.

#### **VIII. DOCUMENTS FOR INSPECTION**

(I) Resolutions of the 9th meeting of the 11th session of the Board of Directors of Haier Smart Home Co., Ltd.;

(II) Resolutions of the 9th meeting of the 11th session of the Board of Supervisors of Haier Smart Home Co., Ltd.;

(III) Opinions of Independent Directors on Matters Relating to the 9th meeting of the 11th session of the Board of Directors of Haier Smart Home Co., Ltd..

It is hereby notified the above.

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

27 March 2024