

# **HISENSE HOME APPLIANCES GROUP CO., LTD.**

(the “Company”)

## **Terms of Reference for Audit Committee of the Board of Directors**

(Considered and adopted at the 2022 forth meeting of the eleventh session  
of the Board of Directors on 27 May 2022)

### **Chapter 1 General**

**Rule 1.** In order to perfect the functions of the board of directors (the “Board”) to achieve an integration of various supervision methods, including external and internal audits, to ensure effective supervision on the Company by the Board and to improve corporate governance structure, the Company has specially established an audit committee (the “Audit Committee”) under the Board and formulated these terms of reference pursuant to The Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies in China, Articles of Association, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant rules.

**Rule 2.** The Audit Committee is a specialized working organ under the Board that is primarily responsible for the communication, supervision and verification in relation to the internal and external audits of the Company.

Members of the Audit Committee shall diligently and effectively supervise and evaluate the internal and external audit work of the Company, promote the establishment of effective internal controls and provide true, accurate and complete financial reports.

Members of the Audit Committee shall have the expertise and business experience to perform the duties of the Audit Committee.

### **Chapter 2 Composition**

**Rule 3.** The Audit Committee shall consist of three independent non-executive directors, at least one of whom being a person with accounting expertise as required under relevant provisions of the Listing Rules. A former partner of the Company’s existing auditing body should be prohibited from acting as a member of the Audit Committee for a period of 2 years from the date of such person ceasing:

- (1) to be a partner of the auditing body; or
- (2) to have any financial interest in the auditing body,

whichever is the later.

**Rule 4.** The Audit Committee shall have one chairman (convener) who must be an independent non-executive director with accounting expertise. The chairman (convener) shall lead the work of the committee and shall be elected among the committee members and whole election shall be reported to the Board for approval.

**Rule 5.** The term of office of the members of the Audit Committee shall be the same as their term of office on the Board. Where a member ceases to be a director of the Company during his term of office, he will be automatically disqualified as a member of the committee. The Board shall fill the vacancy of committee members pursuant to the above Rule 3 and Rule 4.

**Rule 6.** The audit department of the Company is the daily office of the Audit Committee and carries out the daily work of audit, inspection and supervision for internal control according to the decisions made or authorization given by the Audit Committee.

### **Chapter 3    Duties and Authority**

**Rule 7.** The major duties of the Audit Committee include:

- (1) to supervise and assess external audits, and to make recommendations on the appointment or change of external auditing body; to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditing body, and to approve the remuneration and terms of engagement of the external auditing body, and any questions of its resignation or dismissal;
- (2) to review and monitor the independence and objectivity of the external auditing body and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditing body the nature and scope of the audit and reporting obligations before the audit commences;
- (3) to develop and implement policy on engaging an external auditing body to supply non-audit services. For this purpose, “external auditing body” includes any entity that is under

common control, ownership or management with the auditing body or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (4) To review and express an opinion on the Company's financial statements. To review the Company's financial accounting reports and express an opinion on the truthfulness, accuracy and completeness of the financial accounting reports, focusing on significant accounting and auditing issues in the Company's financial accounting reports, with particular attention to the possibility of fraud, fraudulent acts and material misstatements related to the financial accounting reports, and to oversee the rectification of problems in the financial accounting reports. In reviewing these reports before submission to the Board, the committee should focus particularly on:

1. any changes in accounting policies and practices;
2. major judgmental areas;
3. significant adjustments resulting from the audit;
4. the going concern assumptions and any qualifications;
5. compliance with accounting standards; and
6. compliance with the Listing Rules and legal requirements in relation to financial reporting;

- (5) Regarding item (4) above:

1. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditing body; and
  2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditing body.
- (6) to supervise and assess the Company's internal control; to review the Company's

financial controls, risk management and internal control systems;

- (7) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish effective systems. This discussion should include the adequacy of resources, staff qualifications, experience and training programmes, and relevant budget of the Company's accounting and financial reporting function;
- (8) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (9) to supervise and assess internal audits, to be responsible for the co-ordination between internal audits and external audits, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (10) to examine and review the Company's financial, accounting policies and practices;
- (11) to review the management letter provided to the management by the external auditing body, any material queries raised by the auditing body to management about the accounting records, financial accounts or systems of control and management's response;
- (12) to ensure that the Board will provide a timely response to the issues raised in the management letter provided to the management by the external auditing body;
- (13) to urge the external auditors to be honest, trustworthy and diligent, to strictly comply with the business rules and industry self-regulatory norms, to strictly implement the internal control system, to verify and validate the financial accounting reports of the Company, to perform special attention obligations and to express professional opinions prudently.
- (14) to report to the Board on the matters in these terms of reference;
- (15) to examine and review the following arrangements: employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the Company to conduct fair and independent investigation of these matters and for appropriate follow-up action;

- (16) to act as the key representative body for overseeing the Company's relationship with the external auditing body;
- (17) to establish anti-corruption and whistle-blowing mechanism to follow, pay attention to and openly handle the questions and complaints made by the staff, customers, suppliers and investors of the Company and social media on the truthfulness, accuracy and completeness of financial information;
- (18) to make recommendations regarding the establishment and modification of corporate governance mechanism and to provide effective supervision over the implementation of resolutions of the Board by senior management of the Company; and
- (19) to be responsible for matters pursuant to the laws, regulations, Articles of Association and such other matters as the Board may authorize.

**Rule 8.** The Audit Committee shall be accountable to the Board and the proposal of the committee shall be submitted to the Board for approval.

#### **Chapter 4    Decision-making Process**

Rule 9. The audit department shall duly carry out preparation works before the decision-making of the Audit Committee and provide relevant information to the Company in written form in relation to the following:

- (1) relevant financial reports of the Company;
- (2) work reports of internal and external auditing bodies;
- (3) external auditing contracts and relevant work reports;
- (4) situation of the Company's disclosure of information to the public;
- (5) audit reports on material connected transactions of the Company;
- (6) other relevant matters.

**Rule 10.** The reports provided by the audit department shall be evaluated at the meeting of the Audit Committee and the relevant written resolutions shall be submitted to the Board for discussion:

- (1) evaluation on the work carried out by the external auditing body and the appointment

and change of the external auditing body;

- (2) whether the internal control system of the Company has been effectively implemented and whether the financial reports of the Company are complete and true in all respects;
- (3) whether information, such as financial reports, disclosed by the Company to the public is objective and true and whether the material connected transactions of the Company are in accordance with the relevant laws and regulations;
- (4) evaluation on the work of the finance department and audit department of the Company, including the personnel in charge;
- (5) other relevant matters.

**Rule 11.** The Company's appointment or replacement of an external auditor shall require the Audit Committee to form a deliberative opinion and make a recommendation to the Board before the Board can consider the relevant proposal.

**Rule 12.** The Audit Committee makes recommendations to the Board for the appointment or replacement of the external auditor. Reviewing the audit fees and terms of engagement of the external auditor, which should not be unduly influenced by the Company's major shareholders, actual controllers or directors, supervisors and senior management.

**Rule 13.** If the directors, supervisors and senior management of the Company discover that there are false entries, misleading statements or material omissions in the financial accounting reports issued by the Company and report to the Board or the Supervisory Committee, or if the sponsor representative, independent financial advisor or external auditor points out to the Board or the Supervisory Committee that there are false entries, misleading statements or material omissions in the financial accounting reports of the Company, the Board shall promptly report to the Shenzhen Stock Exchange and disclose the same.

If the Company discloses relevant information in accordance with the preceding paragraph, it shall disclose the material problems existing in the financial accounting report, the consequences that have been or may be caused, and the measures taken or intended to be taken in the announcement.

The Audit Committee shall urge the relevant responsible departments of the Company to formulate rectification measures and the timing of rectification, conduct follow-up reviews, supervise the implementation of the rectification measures and disclose the completion of the

rectification in a timely manner.

**Rule 14.** The Company shall disclose the annual performance of the Audit Committee in the annual report, including mainly the specific situation of the performance of its duties and the convening of the Audit Committee meetings. If the Audit Committee makes recommendations to the Board on matters within the scope of its duties and responsibilities, and the Board does not adopt such recommendations, the Company shall disclose such matters and fully explain the reasons.

## **Chapter 5     Rules for proceedings of meetings**

**Rule 15.** The Audit Committee shall meet at least twice every year. Seven days' notice shall be given to all members before the meeting. The meeting shall be chaired by the convener, or, where the convener is unable to be present at the meeting, one of the members as authorized by the convener.

**Rule 16.** The meetings of the Audit Committee shall only be held when two-thirds or more of members are present. Each member shall have one vote. Resolutions made at the meeting shall be passed by more than half of all members.

**Rule 17.** Resolutions at the meetings of the Audit Committee shall be determined by show of hands or by poll. Emergency meetings may be convened by communication correspondence.

**Rule 18.** Members of the auditing team may attend the meetings of the Audit Committee. Where necessary, directors, supervisors and senior management of the Company may be invited to be present at the meetings.

**Rule 19.** Where necessary, the Audit Committee may appoint intermediary agencies to provide professional advice for its decision-making and such fees shall be borne by the Company.

**Rule 20.** The procedures of convening the meetings, the method of voting and the resolutions passed at the meetings of the Audit Committee shall be in accordance with the relevant laws, regulations, Articles of Association and the rules in these terms of reference.

**Rule 21.** Minutes shall be taken for the meetings of the Audit Committee. Drafts and final versions of minutes of the meetings should be sent to all committee members for their

comments and records respectively, in both cases within reasonable time periods after the meetings. Members present at the meeting shall sign on the final versions of the minutes. The Audit Committee shall appoint a secretary of the meeting and the minutes shall be kept by the secretary of the meeting who is formally appointed.

**Rule 22.** The resolutions passed at and voting results of the meetings of the Audit Committee shall be reported to the Board in written form.

**Rule 23.** Members who attend the meetings have the responsibility to keep matters discussed at the meetings confidential and shall not disclose any relevant information without authorization.

## **Chapter 6 Supplemental Provisions**

**Rule 24.** These terms of reference shall be effective from the date on which the Board passes a resolution to approve the same.

**Rule 25.** Matters which are not provided for in these terms of reference shall be governed by the requirements of the relevant laws and regulations in China, the Listing Rules and relevant rules and regulations and the Articles of Association. If these terms of reference are in conflict with any laws and regulations promulgated in China in the future or the Articles of Association as modified through procedures in compliance with laws, the terms of reference shall be implemented in accordance with the requirements of the relevant laws, regulations and Articles of Association and shall be modified forthwith and reported to the Board for approval.

**Rule 26.** The right to interpret these terms of reference belongs to the Board.

The English version of these terms of reference is for reference only and if there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.

**The Board of Directors of  
Hisense Home Appliances Group Co., Ltd.  
27 May 2022**