



GOME ELECTRICAL APPLIANCES HOLDING LIMITED

國美電器控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

Terms of Reference for Audit Committee

(Adopted at the Board Meeting on 27 March 2012)

The Audit Committee (the “**Committee**”) is established by the board (the “**Board**”) of directors (the “**Directors**”) of GOME Electrical Appliances Holding Limited (the “**Company**” together with its subsidiaries, the “**Group**”) primarily for the purpose of (1) overseeing the relationship with the Company’s auditors; (2) reviewing the Company’s financial information; and (3) overseeing the Company’s financial reporting system and internal control procedures.

Membership

1. The Committee shall be appointed by the Board from amongst the non-executive Directors and/or independent non-executive Directors and shall consist not less than three members, a majority of whom should be independent non-executive Directors. A quorum shall be two members. At least one member of the Committee must possess appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
2. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.

Meetings

3. The chief financial officer or the financial controller shall normally attend meetings. The external auditors may be invited to attend meetings. However, at least once a year the Committee shall meet with the external auditor without executive Board members present.
4. The company secretary of the Company shall be the secretary of the Committee and shall keep full minutes of Committee meetings. However, if the company secretary is not able to attend the meeting, he/she may appoint a person as his/her alternate to attend the meeting and perform his/her duties thereat.
5. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Authorities

6. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary at the Company's expenses.

Duties

8. The duties of the Committee shall be:
 - 8.1 to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor and to deal with any questions of resignation or dismissal of that auditor;
 - 8.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
 - 8.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and where more than one audit firm is involved, to ensure co-ordination among them;
 - 8.4 to develop and implement policy on engaging an external auditor to supply non-audit services and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - 8.5 to monitor integrity of the annual, interim and (if prepared for publication) quarterly financial statements reports and accounts, and to review significant financial reporting judgments contained in them before submission to the Board, having regards particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and

- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- 8.6 In regard to 8.5 above, (i) to liaise with the Company's Board, senior management as the Committee deems appropriate and to meet the Company's auditor at least twice a year; and (ii) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and to 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 (if any) or auditors;
- 8.7 to review the Company's financial controls, internal control and risk management systems;
- 8.8 to discuss the system of internal control with management of the Company including discussion on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and to ensure that management of the Company has performed its duty to have an effective internal control system;
- 8.9 to consider major investigation findings on internal control matters as delegated by the Board or on the own initiative of the Committee and the response of the management of the Company to these findings;
- 8.10 where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- 8.11 to review the Group's financial and accounting policies and practices;
- 8.12 to review the external auditor's management letter, any material queries raised by the auditor to the management of the Company about the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- 8.13 to report to the Board on the matters set out in the Code Provisions in the Section headed "Audit Committee" on the Corporate Governance Code set out in Appendix 14 of the Listing Rules;
- 8.14 to consider other topics, as defined by the Board;

- 8.15 to review arrangements the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 8.16 to act as the key representative body for overseeing the Company's relations with external auditor.

Reporting procedures

9. The secretary shall circulate the minutes of meetings and reports of the Committee to the Board within a reasonable time.

Others

10. These terms of reference are prepared in English and Chinese. In case of any inconsistency between the English version and the Chinese version, the English version shall always prevail.
11. Any amendments to these terms of reference shall be reviewed by the Committee and approved by the Board.

** For identification purpose only*