

**Nature Home Holding Company Limited**  
**大自然家居控股有限公司**

**Terms of reference of  
the Audit Committee  
of the Board of the Company**

**Adopted on 3 May 2011,  
amended on 30 March 2012  
and  
amended and effective from 1 January 2016**

## DEFINITIONS

In these terms of reference, unless the context otherwise requires, the following terms have the meanings set out below:

<b>“Board”</b>	means the Board of Directors of the Company;
<b>“Committee”</b>	means the Audit Committee of the Board of the Company;
<b>“Company”</b>	means Nature Home Holding Company Limited;
<b>“Directors”</b>	means the directors of the Company, and <b>“Director”</b> means any one of them;
<b>“Group”</b>	means the Company and its subsidiaries;
<b>“Independent Non-executive Directors”</b>	means non-executive Directors meeting the requirements of independence set out in the Listing Rules, and <b>“Independent Non-executive Director”</b> means any one of them;
<b>“Listing Rules”</b>	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and
<b>“senior management”</b>	means the persons referred to in the Company’s corporate communications as senior management from time to time.

## Members

1. The Committee shall comprise not less than three Directors, all of whom shall be non-executive Directors and the majority of whom shall be Independent Non-executive Directors. At least one of the Committee members shall be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. LR 3.21
2. A former partner of the Company's auditing firm should be prohibited from acting as a member of the Committee for a period of one year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later. App 14  
C.3.2
3. The chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director. LR 3.21
4. The secretary of the Committee shall be the Company's secretary or any person designated as such by the Committee from time to time.

## Proceedings

5. The quorum for meetings of the Committee shall be any two of its members.
6. The chairman of the Committee may convene meetings at his discretion, but in any event meetings of the Committee are to be held not less than two times every year, or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time. In addition, the Company's external auditors may request a meeting of the Committee if they consider that is necessary.
7. Chief Financial Officer, and a representative of the Company's external auditors shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the external and internal auditors without executive Directors present. App 14  
Note 1 to C.3

## Authority

8. The Committee is authorised by the Board to investigate into 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 cooperate with any request made by the Committee.
9. The Committee is authorised by the Board to obtain external legal or other independent professional advice at the Company's expense and to secure the attendance of any person with relevant experience and expertise at Committee meeting as it considers appropriate.

## Duties

LR 3.22

10. The duties of the Committee are:
  - 10.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal; App 14  
C.3.3(a)
  - 10.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; App 14  
C.3.3(b)
  - 10.3 to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; App 14  
C.3.3(c)
  - 10.4 to monitor integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting App 14  
C.3.3(d)

judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

- 10.4.1 any changes in accounting policies and practices;
- 10.4.2 major judgmental areas;
- 10.4.3 significant adjustments resulting from audit;
- 10.4.4 the going concern assumptions and any qualifications;
- 10.4.5 compliance with accounting standards; and
- 10.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 10.5 regarding paragraph 10.4 above:
  - 10.5.1 members of the Committee should liaise with the Board and the Company's senior management and the Committee must meet, at least twice a year, with the Company's external auditors; and App 14  
C.3.3(e)
  - 10.5.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, 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 auditors;
- 10.6 to review the Company's financial controls, risk management and internal control systems; App 14  
C.3.3(f)
- 10.7 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish and maintain an appropriate and effective risk management and internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; App 14  
C.3.3(g)
- 10.8 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; App 14  
C.3.3(h)
- 10.9 to ensure coordination 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 its effectiveness; App 14  
C.3.3(i)
- 10.10 to review the Group's financial and accounting policies and practices; App 14  
C.3.3(j)
- 10.11 to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response; App 14  
C.3.3(k)
- 10.12 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter; App 14  
C.3.3(l)
- 10.13 to report to the Board on the matters included under the heading "Audit Committee" in Appendix 14 to the Listing Rules; App 14  
C.3.3(m)
- 10.14 to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; App 14  
C.3.7(a)
- 10.15 to act as the key representative body for overseeing the Company's relations with the external auditors; App 14  
C.3.7(b)
- 10.16 the Committee shall establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company; and App 14  
C.3.8

10.17 to consider other matters as referred to the Committee by the Board.

App 14  
C.3.3(n)

**Miscellaneous**

11. Minutes of meetings of the Committee shall be kept by the secretary to the meetings of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Director. The secretary to any meeting of the Committee shall circulate the minutes of the meeting of the Committee for which he has acted as secretary in draft and final forms to all members of the Committee within a reasonable time after such meeting is held. App 14 C.3.1, A.1.4 & A.1.5
12. The Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so. App 14 D.2.2