



## Great Harvest Maeta Group Holdings Limited

榮豐聯合控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 3683)

### TERMS OF REFERENCE

OF

### AUDIT COMMITTEE

(adopted on 13 September 2010 and revised on 29 March 2012)

#### 1. CONSTITUTION

- (a) The board (the “**Board**”) of directors of Great Harvest Maeta Group Holdings Limited (the “**Company**”) established the audit committee (the “**Committee**”) on 13 September 2010.

#### 2. MEMBERSHIP

- (a) The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three (3) members, a majority of which should be independent non-executive directors (“**INEDs**”). At least one (1) member must be an INED with 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**”). The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.
- (b) The Chairman of the Committee (the “**Chairperson**”) shall be an INED.
- (c) A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Committee for a period of one (1) year from the date of his/her ceasing:
  - i. to be a partner of the auditing firm; or
  - ii. to have any financial interest in the auditing firm.whichever is later.

#### 3. ATTENDANCE AT MEETINGS

- (a) The quorum for a meeting of the Committee shall be three (3) members, in which at least two of whom must be INEDs.
- (b) The chairman of the Board and the chief financial officer shall normally attend meetings of the Committee. A representative of the external auditors and lawyers shall be invited to attend the meetings of the Committee where appropriate. Other

staff who have specific responsibility for an area under review may also be invited to attend.

- (c) The company secretary of the Company or his delegate or such other person appointed by the Chairperson shall be the secretary of the Committee ("**Secretary**").
- (d) Members of the Committee may participate in a meeting of the Committee by means of a telephone conference or other communications equipment through which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

#### **4. FREQUENCY AND PROCEEDINGS OF MEETINGS**

- (a) Meetings of the Committee shall be held at least two (2) times a year. The external auditors or any members of the Committee may request a meeting if he/she/they considers necessary. Upon receipt of such request, the Secretary shall convene a meeting as soon as reasonably practicable having regard to the convenience of all members with priority given to the INEDs.
- (b) Unless otherwise agreed by all members of the Committee, a meeting shall only be called with at least seven (7) days' prior notice.

#### **5. COMMITTEE'S RESOLUTIONS**

A resolution in writing signed by all members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a meeting of the Board or Committee to be held.

#### **6. AUTHORITIES**

- (a) 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 or executive director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain legal or other independent professional advice and to secure the attendance of other persons with relevant experience and expertise in the meetings of the Committee if it considers this necessary.
- (c) The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control and suspected infringement of any laws, rules and regulations which comes to its attention and is of sufficient importance to warrant the attention of the Board.
- (d) The proof of authority and terms of reference of the Committee shall be provided upon request from the shareholders and the role of the Committee should be explained in the corporate governance report in the annual reports of the Company.

- (e) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee shall make arrangements to disclose in the corporate governance report in the annual reports of the Company an explanation of the Committee's view and the reasons why the Board has taken a different view.
- (f) The Committee shall be provided with sufficient resources to perform its duties.

## 7. GENERAL RESPONSIBILITIES

- (a) The Committee shall serve as a focal point for communication between other directors, external auditors and internal auditors regarding their duties relating to financial and other reporting, internal control, external and internal audit and such other matters as the Board determines from time to time.
- (b) The Committee shall assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal control of the Company and its subsidiaries (the "**Group**"), and as to the adequacy of the external and internal audit.
- (c) The Committee shall fulfill other responsibilities as required by the Listing Rules as amended from time to time.

## 8. DUTIES

The duties of the Committee shall be:

### Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors, and any questions of their resignation or dismissal;
- (b) to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;
- (c) to review and monitor the external auditors' independence and objectivity and effectiveness of the audit process in accordance with applicable standards. In this connection, the Committee shall:
  - (i) obtain from the external auditors annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
  - (ii) conduct annual review of all non-audit services performed by the external auditors, the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the external auditors, the criteria which govern the compensation of the individuals performing the audit and consider whether there are safeguards in place to ensure that there

is no threat to the objectivity and independence of the audit because the external auditors provide non-audit services; and

- (iii) review the policies relating to the hiring of employees or the former employees of the external auditors and monitoring the application of these policies and consider whether there has been or appear to be any impairment of the external auditors' judgement or independence for the audit.
- (d) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (e) to develop and implement policy on engaging the external auditors to supply non-audit services. For this purpose, "external auditors" 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;

#### Review of Group's financial Information

- (f) to monitor integrity of the Group's financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with requirements under the Listing Rules and other regulatory and legal requirements in relation to financial reporting.
- (g) in regard to (f) above:
  - (i) 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 external auditors; and
  - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports 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;

*Oversight of the Group's financial reporting system and internal control procedures*

- (h) to review the Group's financial controls, internal control and risk management systems;
- (i) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (k) 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 Group, and to review and monitor its effectiveness;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the matters set out under "7. Duties" in these terms of reference;
- (p) to consider other topics, as defined by the Board;
- (q) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (r) to act as the key representative body for overseeing the Company's relations with the external auditor.

**9. REPORTING PROCEDURES**

- (a) The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the Chairperson shall report their decisions and recommendations of the Committee to the Board.
- (b) Full minutes of meetings of the Committee shall be kept by the Secretary. Draft and final versions of minutes of meetings of the Committee shall be sent to all members of the Committee for their comment and records within seven (7) days after the meeting.

- (c) Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.

#### **10. REVISION OF THE TERMS OF REFERENCE**

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong.