

**C.P. POKPHAND CO. LTD.**  
(the “Company”)

**Terms of Reference  
of  
Audit Committee  
(the “Committee”)**

(as adopted on 30 March 2005 and amended on 9 August 2010 and 27 March 2012)

**CONSTITUTION**

- The Committee has been set up by the board of directors of the Company (the “Board”) on 28 January 1999.
- Subject to the regulations contained in the Companies Act 1981 of Bermuda, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the bye-laws of the Company (the “Bye-Laws”), the procedures of the Committee shall be regulated by the provisions set out in these terms of reference.
- These terms of reference with regard to the authority and duties of the Committee have been approved by the Board on 27 March 2012 which replaced the previously adopted terms of reference of the Committee dated 9 August 2010. The Board has the authority to review and amend the terms of reference from time to time.

**MEMBERSHIP**

- Members of the Committee shall be appointed by the Board from time to time. The Committee shall comprise non-executive directors only and shall consist of a minimum of three members. The majority of the members of the Committee shall be independent non-executive directors, at least one of whom shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
- The chairman of the Committee shall be an independent non-executive director and appointed by the Board. If no such member is nominated, the Committee shall elect one of the members, who should be an independent non-executive director, as the chairman of the Committee.
- The company secretary or any person nominated by the Committee shall be the secretary of the Committee.
- A member who wishes to retire or resign from the Committee shall serve sufficient prior written notice to the Company. A member who ceases to be a member of the Board shall immediately and automatically cease to be a member of the Committee.

- A former partner of the accounting firm which acts as the Company's existing external auditors should be prohibited from acting as a member of the Committee for a period of one year commencing on the date of his ceasing:-
  - to be a partner of the firm; or
  - to have any financial interest in the firm,whichever is later.

## **COMMITTEE MEETINGS**

- Unless otherwise stipulated herein, the meetings and proceedings of the Committee shall be governed by the provisions contained in the Bye-Laws for regulating the meetings and proceedings of the Board.
- The quorum for meeting of the Committee shall be two members.
- The Committee meetings should be held at least twice a year. Additional meetings should be held as the work of the Committee demands. It is expected that the Committee meeting will normally involve the active participation, either in person or through other electronic means of communication, of a majority of members entitled to be present.
- Arrangements should be in place to ensure that all members are given an opportunity to include matters in the agenda for regular Committee meetings.
- The external auditors may request a meeting as and when they consider necessary.
- Senior staff of the Company's accounting and financial reporting functions and representative(s) of the external auditors shall attend meetings of the Committee. Other members of the Board shall also have the right of attendance.
- The Committee shall ensure that sufficient opportunities exist for its members to meet separately with the external auditors and management of the Company, and to meet in private with only the Committee members present.
- Seven days' notice of any meeting of the Committee, or such shorter notice as may be agreed by the members, will be given by the secretary specifying the place, date, time and agenda of the meeting.
- Members should have access to the advice and services of the secretary of the Committee with a view to ensuring that Committee procedures, and all applicable rules and regulations, are complied with.
- If a member has a conflict of interest in a matter to be considered by the Committee which the Committee has determined to be material, the interested member shall not vote on that matter at the relevant meeting of the Committee.

- Minutes of Committee meetings should be kept by the secretary of the Committee and such minutes should be open for inspection at any reasonable time on reasonable notice by any member or director.

## **AUTHORITY**

- 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.
- The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and to invite such outsiders with relevant experience and expertise to attend as it considers necessary.
- The Committee should have access to independent professional advice if necessary. The Committee should be provided with sufficient resources to perform its duties.
- The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## **DUTIES AND FUNCTIONS**

The Committee shall:-

- To communicate on behalf of the Board with the external auditors with regards to its duties relating to financial and other reporting, internal control, external and internal audits and such other matters as the Board determines from time to time.
- To assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting and to assist the Board to assess the effectiveness of the internal controls of the group and the adequacy of the external and internal audits.
- In particular, the duties of the Committee include the following:-

### **Relationship with the Company's auditors**

- To make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

- To develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- To act as the key representative body for overseeing the Company's relations with the external auditor.

### **Review of the Company's financial information**

- To monitor integrity of the Company's financial statements and annual report, accounts and interim report and to review significant financial reporting judgments contained in them.
- In reviewing these reports before submission to the Board, the Committee should focus particularly on:-
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and
  - compliance with the Listing Rules and legal requirements in relation to financial reporting.
- Regarding the above:-
  - 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
  - the Committee should 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.
- To discuss problems and observations arising from the final audits, interim audits (if any) and any matters the external auditors may wish to discuss (in the absence of management where necessary).

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

- To review the Group's financial and accounting policies and practices, financial controls, internal control and risk management systems.
- To discuss the internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget, with management to ensure that management has performed its duty to have an effective internal control system.
- 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.
- 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.
- To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control, and management's response.
- To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- To report to the Board on the matters in relation to Corporate Governance Code and Corporate Governance Report of the Listing Rules (as amended from time to time) adopted by the Company.
- 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.
- To ensure that the chairman of the Committee or another member will attend the annual general meetings of the Company and be prepared to answer questions.
- To ensure that the provision by the external auditors of non-audit services does not impair the external auditors' independence or objectivity and follow "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and its subsequent amendments from time to time approved by the Committee.
- Do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.

- Conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.
- Make recommendations on any other issues as requested by the Board.

## **REPORTING PROCEDURES**

- The Committee should report back to the Board on their findings and recommendations or decisions made, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).