



## **ASIAN CITRUS HOLDINGS LIMITED**

**亞洲果業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: HKSE: 73; AIM: ACHL)**

### **TERMS OF REFERENCE – AUDIT COMMITTEE**

**(REVISED ON 23 FEBRUARY 2012)**

#### **1. MEMBERSHIP**

- 1.1 Members of the Audit Committee (the “Committee”) shall be appointed by the board of directors (the “board”) of Asian Citrus Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”). The Committee shall be made up of at least three members, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors.
- 1.2 At least one member of the Committee shall be an independent non-executive director whom shall have recent and relevant financial experience and 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 (“Listing Rules”). The Chairman of the board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the board, Chief Executive Officer, CFO, other directors, other individuals involved in internal audit, risk management, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditor and the head of internal audit will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 1.6 The board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.7 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year from the date of his ceasing:
  - (i) to be a partner of the firm; or

(ii) to have any financial interest in the firm,

whichever is later.

## **2. SECRETARY**

The Company Secretary or their nominee shall act as the Secretary of the Committee.

## **3. QUORUM**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **4. FREQUENCY OF MEETINGS**

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as the Committee Chairman, in consultation with the Company, requires. Meetings may be conducted by way of telephone conference or similar communications equipment by means of 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.

## **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditor if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, as early as practicable before the date of the meeting, in any case at least 3 days before the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **6. MINUTES OF MEETINGS**

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft and final versions of the minutes of Committee meetings shall be circulated promptly to all members of the Committee for their comment and records and, once agreed, to all members of the board within a reasonable time after the meeting.

## **7. ANNUAL GENERAL MEETING**

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## 8. DUTIES

The Committee should carry out the duties below for the Group as a whole, as appropriate.

### 8.1 Financial Reporting

- (a) The Committee shall monitor the integrity and effectiveness of the financial statements of the Company in terms of its content, accuracy, quality and timeliness, and its annual and interim reports, preliminary and interim results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators any financial information contained in certain other documents, such as announcements of a price sensitive nature and any other statements containing financial information which require board approval.
- (b) The Committee shall review and challenge where necessary:
  - (i) the consistency of, and any changes to, accounting policies and practices both on a year on year basis and across the Group;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) the major judgmental areas;
  - (iv) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (v) the significant adjustments resulting from audit;
  - (vi) the going concern assumptions and any qualifications;
  - (vii) the compliance with accounting standards;
  - (viii) the compliance with the Listing Rules and legal requirements in relation to financial reporting;
  - (ix) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
  - (x) all material information presented with the financial statements, such as the operating and financing review and the corporate governance statement (insofar as it relates to the audit and risk management).
- (c) The Committee shall review the annual financial statements of the pension funds where not reviewed by the board as a whole.
- (d) In regard to the review of financial information of the Company, the Committee should liaise with the board and senior management and should consider any significant or unusual items that are, or may need to be, reflected in its relevant reports and accounts and 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 auditor.

## **8.2 Internal Controls and Risk Management Systems**

The Committee shall:

- (a) keep under review the effectiveness of the Company's financial controls, internal controls and risk management systems;
- (b) 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;
- (c) 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; and
- (d) review and approve the statements to be included in the Annual Report of the Company (the "Annual Report") concerning internal controls and risk management.

## **8.3 Whistleblowing**

The Committee shall review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, accounting, violation of securities or anti-fraud laws or 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.

## **8.4 Internal Audit**

The Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management systems;
- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has appropriate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) review promptly all reports on the Company from the internal auditor;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (g) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out, including any recommendations and any errors identified during the audit and seek to obtain appropriate explanations (both internally and from the external auditor) as to why certain errors remain unadjusted. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the board and to the Committee;
- (h) to ensure co-ordination between the internal and external auditor; and

- (i) if the Company does not have an internal audit function:
  - (i) consider annually whether there should be one and make recommendation to the board accordingly; and
  - (ii) should disclose the outcome of this review in the Corporate Governance Report.

## 8.5 External Audit

The Committee shall:

- (a) consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor and to consider any questions of their resignation or dismissal. The Committee shall oversee the selection process for new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the external auditor including (but not limited to):
  - (i) approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services. If the auditor provides non-audit services, the annual report should explain to shareholders how auditor objectivity and independence are safeguarded;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - (v) agreeing with the board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (vii) assessing annually their qualifications, expertise and resources and effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
  - (viii) where appropriate, terminating the appointment of external auditor or terminating any specific activities being carried out by the external audit firm;
- (c) liaise with the board and senior management and meet regularly with the external auditor, including once at the planning stage before audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least twice a year, without

management being present, to discuss their remit and any issues arising from the audit;

- (d) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement before the audit commences;
- (e) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - (i) a discussion of any major issues which arose during the audit;
  - (ii) any accounting and audit judgements; and
  - (iii) levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit and:

- (f) review any representation letter(s) requested by the external auditor before they are signed by management;
- (g) 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;
- (h) ensure that the board will provide a timely response to the issues raised in the external auditor's management letter; and
- (i) develop and implement a policy on engaging an external auditor 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.

## **8.6 Reporting Responsibilities**

- (a) The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall consider other topics as defined by the board and make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall compile a report to shareholders on its activities to be included in the Annual Report.
- (d) The terms of reference of the Committee, including its role and the authority delegated to it by the board, will be made available on request and posted on the Company's website and The Hong Kong Exchange and Clearing Limited's website.
- (e) Where the board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the board has taken a different view.
- (f) The Committee should update and revise its terms of reference as and when necessary in light

of changes in circumstances and changes in regulatory requirements, e.g. the Combined Code, the AIM Rules of the London Stock Exchange plc and any associated guidance and the Listing Rules.

## **8.7 Other Matters**

The Committee shall:

- (a) have access to sufficient resources to perform its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with appropriate and timely training at the Company's expense, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the AIM Rules of the London Stock Exchange plc and the Listing Rules as appropriate;
- (d) be responsible for co-ordination of the internal and external auditor;
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor
- (f) oversee any investigation of activities which are within its terms of reference and act as a court of last resort; and
- (g) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommended any changes it considers necessary to the board for approval.

## **9. AUTHORITY**

The Committee is authorised by the board:

- 9.1 to carry on and investigate any activity within these terms of reference;
- 9.2 to seek an information it requires from any employee of the Company in order to perform its duties;
- 9.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its term of reference; and
- 9.4 to call any employee to be questioned at a meeting of the Committee as and when required.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.