

**DaChan Food (Asia) Limited**

**大成食品 ( 亞洲 ) 有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(the "Company")**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

<b><u>Adoption / Amendment Date</u></b>	<b><u>Effective Date</u></b>
23 March 2012	23 March 2012
30 October 2015	1 January 2016

## **Constitution**

1. The board (the "Board") of directors of the Company (the "Directors") has resolved on 14 September 2007 to establish a committee known as the Audit Committee (the "Committee").

## **Membership**

2. The Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom must be independent non-executive Directors. A quorum shall be two members.
3. The company secretary of the Company or his representative (in his absence) shall be the secretary of the Committee (the "Secretary"). The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.
4. No member of the Committee shall appoint any alternate to attend the meeting or perform his duties thereat.
5. The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.
6. In the event of equal votes, the chairman of the Committee shall have the right of second vote or casting vote.

## **Attendance at meetings**

7. The financial controller and other financial officers 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.

## **Frequency of meetings**

8. Meetings shall be held not less than 4 times a year. The Committee or the external auditors may at any time request a meeting if they consider that one is necessary.

## **Notice of meeting**

9. Unless otherwise agreed by the Committee, the notice of convening a meeting of the Committee shall be sent out not less than 2 working days before the meeting. The notice can be given orally or in writing, and if it is orally given, it shall be confirmed in writing subsequently.
10. The notice of the meeting shall specify the date, time and place of the meeting and attach the agenda of the meeting.

## **Authority**

11. 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.
12. 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 this necessary.
13. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
14. The Committee is to be provided with sufficient resources to perform its duties.

## **Duties**

15. The Committee is responsible for the following duties:-

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

- (a) to be primarily responsible for making 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;

- (b) 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;
- (c) to develop and implement 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;

*Review of financial information of the Company*

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should 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 the Listing Rules and legal requirements in relation to financial reporting;
- (e) In regard to (d) 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 auditors; and

- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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 Company's financial reporting system, risk management and internal control systems*

- (f) to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;
- (h) to consider major investigations 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;
- (i) 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 its effectiveness;
- (j) to review the group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to review arrangements by which employees can raise in confidence concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in

place for the fair and independent investigation of such concerns and appropriate follow up action;

- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to report to the Board on the matters set out above; and
- (p) to consider other topics, as defined by the Board.

**Reporting procedures**

16. The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Committee.