

**China XLX Fertiliser Ltd.**  
**(the “Company”)**  
**(Incorporated in Singapore with limited liability)**

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**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**  
(Latest amendments approved by the Board on 16 November 2018)

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## **2 CHAIRMAN**

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive director.

## **3 SECRETARY**

- 3.1 The secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Audit Committee. The Company Secretary or, in his/her absence, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

## **4 PROCEEDINGS OF THE AUDIT COMMITTEE MEETINGS**

Unless otherwise specified hereunder, the provisions contained in the Company’s Articles of Association (as amended from time to time) for regulating proceedings of directors’ meetings shall apply to the meetings and proceedings of the Audit Committee.

### **4.1 Quorum**

- 4.1.1 The quorum for meetings of the Audit Committee shall be any two members.
- 4.1.2 The secretary of the Audit Committee meeting shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly. The relevant member of the Audit Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Audit Committee in which he/she or any of his/her close associates has a material interest.

## **4.2 Frequency of meetings**

- 4.2.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.
- 4.2.2 The Audit Committee shall meet with the external auditor of the Company at least twice a year. The external auditor may request a meeting if they consider necessary.

## **4.3 Attendance at meetings**

- 4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
- 4.3.2 The financial controller, the head of internal audit (if any), relevant senior management and representative(s) of the external auditor shall normally attend meetings of the Audit Committee. Where appropriate or required, other directors and person(s) invited by a member of the Audit Committee may attend meetings of the Audit Committee.

## **4.4 Notice of meetings**

- 4.4.1 A meeting of the Audit Committee may be convened by any of its members or by the Company Secretary.
- 4.4.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given for a regular meeting of the Audit Committee. For all other meetings of the Audit Committee, reasonable notice shall be given.

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- 4.4.3 Agenda and accompanying supporting papers shall be sent, in full, to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

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#### **4.5 Minutes of meetings**

4.5.1 The secretary of the Audit Committee meeting shall record in sufficient detail the matters considered and decisions reached by the Audit Committee, including the names of those present and in attendance and any concerns raised by any member of the Audit Committee and/or dissenting views expressed.

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4.5.2 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records respectively, within a reasonable time after the meeting.

4.5.3 Minutes of meetings of the Audit Committee shall be kept by the Company Secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

#### **4.6 Written resolutions**

4.6.1 Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

### **5 RESPONSIBILITIES AND AUTHORITIES OF THE AUDIT COMMITTEE**

5.1 The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules (as amended from time to time).

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5.2 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

5.3 Without prejudice to any requirement under the CG Code, the duties of the Audit Committee include the following:

**5.3.1 Relationships with the Company's auditors**

- (a) To act as the key representative body for overseeing the Company's relations with the external auditor, and 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 to consider any questions of their 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, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

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

- (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 judgments contained in them. In reviewing these reports before submission to the Board, the Audit 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) Regarding (d) above:
  - (d)
    - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
    - (ii) the Audit 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.

### **5.3.3 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 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.
  
- (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 employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action (see Appendix, “Policy on Whistleblowing”).

(n) To report to the Board on the matters set out herein.

(o) To consider other topics, as defined by the Board.

5.4 The Audit Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice, at the Company’s expense, if necessary.

5.5 All members of the Audit Committee shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company’s senior management for obtaining necessary information.

## **6 REPORTING RESPONSIBILITIES**

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

## **7 ANNUAL GENERAL MEETING**

7.1 The chairman of the Audit Committee or in his/her absence, another member of the Audit Committee or failing this, his/her duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee’s work and responsibilities.

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

**POLICY ON WHISTLEBLOWING**

For the purpose of good governance, it is the policy of China XLX Fertiliser Ltd. (the “**Company**”) that any employee of the Company (including the full time, part time and temporary employees at all levels and divisions of the Company) shall be free, without fear of retaliation, to make known or raise concerns, complaints or disclosures about actual or possible improprieties in matters of financial reporting, internal control or other matters (collectively, the “**Complaints**” <sup>(Note)</sup>).



- (c) Following investigation and evaluation of a Complaint, the AC Chairman shall report to the AC on recommended disciplinary or remedial action if any. The action determined by the AC to be appropriate shall then be brought to the Board or to appropriate members of senior management for authorization and implementation respectively. If the action taken to resolve a Complaint is deemed by the AC to be material or otherwise appropriate for inclusion in the minutes of meetings of the AC, it shall be so noted in the minutes.
  
- (d) Where the report on the Complaints discloses a possible criminal offence, the Company, after consulting the legal advisers, will decide if the matter should be referred to the relevant authorities such as the Singapore/Hong Kong Police Force, Hong Kong Independent Commission Against Corruption, Securities and Futures Commission, Singapore Corrupt Practices Investigation Bureau etc., as appropriate for further action. Once the matter is referred to the authorities, the Company will not be able to take further action on the matter, including advising the employee of the referral.